

Maynaguri Agro Tea Private Limited

December 29, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	11.81	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.59	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	12.40 (Rs. Twelve Crore and Forty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Maynaguri Agro Tea Private Limited (MATPL)** to monitor the rating vide e-mail communications dated July 14, 2021, August 20, 2021, October 27, 2021, December 16, 2021 and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, MATPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on MATPL's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING/ CARE A4; ISSUER NOT COOPERATING**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The rating has been moved to issuer non-cooperating category on account of non-availability of requisite information for monitoring the rating. The rating continues to be constrained by its small scale of operations with low profitability margins, regulation by Government in terms of minimum support price (MSP), leveraged capital structure with moderate debt coverage indicators and seasonal nature of availability of raw materials and exposure to vagaries of nature. However, the ratings continue to derive strength from the extensive experience of the promoters and proximity to raw material sources and favourable industry scenario.

Detailed description of the key rating drivers: At the time of last rating on November 09, 2020, the following were the rating strengths and weaknesses (updated for FY20 Audited financials obtained from Registrar of Companies):

Key Rating Weaknesses

Small scale of operations with low profitability margins

The total operating income has witnessed continuous decline trend during last three years (FY18-FY20) on account of lower demand of its products along with increasing competition in the industry. Moreover, the overall scale of operations of the company remained small marked by total operating income of Rs.32.93 crore (FY19: Rs.33.62 crore), PAT/ of Rs.0.50 crore (FY19: Rs.0.03 crore), and cash accruals of Rs.2.33 crore (FY19: Rs.2.13 crore) in FY20 (A). Furthermore, the tangible networth also remained low at Rs.4.44 crore as on March 31, 2020. The company has booked net revenue of Rs.27.64 crore during the period from April 01, 2020 to October 31, 2020 and it is expecting to achieve a turnover of Rs.45.00 crore during the entire current financial year (FY21). The small size restricts the financial flexibility of the company in times of stress and deprives it from benefits of economies of scale. The profit margins remained low marked by operating margin of 12.81% (FY19:12.20%) and PAT margin of 1.51% (FY19:0.10%) in FY20 (A). The operating margin has improved during FY20 due to better management of cost of operations. Moreover, the PAT margin has also improved during FY20 (A) on account of lower capital charge. There is no restriction on the local movement of goods even though lockdown was imposed in the country as the company is dealing with the essential commodity for general consumption. Accordingly, the company has not availed moratorium on repayment of term loan and interest on working capital that could be availed under the terms of recent RBI Circular.

Regulation by Government in terms of minimum support price (MSP)

The Government of India (GoI) decides a minimum support price (MSP - to be paid to paddy growers) for paddy every year limiting the bargaining power of rice millers over the farmers. The MSP of paddy was increased during the crop year 2020-21 to Rs.1868/quintal from Rs.1815/quintal in crop year 2019-20. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for paddy, the profitability margins are highly volatile. Such a situation does not augur well for the entity, especially in times of high paddy cultivation.

Leveraged capital structure with moderate debt coverage indicators

The capital structure of the company has improved on account of accretion of profits to reserve and scheduled repayment of term loan, vehicle loan and lower utilization of working capital limits but the same remained leveraged marked by overall gearing ratio

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

of 2.79x (FY19:4.47x) as on March 31, 2020. Furthermore, the debt coverage indicators also improved and the same remained moderate marked by interest coverage ratio of 2.35x (2.12x in FY19) and total debt to GCA of 5.31x (8.27x in FY19) in FY20 (A).

Seasonal nature of availability of raw material and exposure to vagaries of nature

MATPL is engaged in the processing of rice products in its rice mills. Paddy is mainly a 'kharif' crop and is cultivated from June-July to September-October and the peak arrival of crop at major trading centers begins in October. The cultivation of paddy is highly dependent on the monsoon. Unpredictable weather conditions could affect the output of paddy and result in volatility in price of paddy. In view of seasonal availability of paddy, working capital requirements remain high at season time owing to the requirement for stocking of paddy in large quantity. Also, agro products cultivation is highly dependent on monsoons, thus exposing the fate of the firm's operation to vagaries of nature. Further, tea production, besides being cyclical, is susceptible to vagaries of nature. Though demand for tea is expected to have a stable growth rate, supply can vary depending on climatic conditions in the major tea growing areas. Therefore, adverse natural events have negative bearing on the productivity of tea gardens in the region.

Key Rating Strengths:

Experienced promoters

The key promoter Mr. Pawan Kumar Khorja has around a decade of experience in agro industry. He looks after the day to day operation of the company supported by Mr. Sunil Khorja along with a team of experienced professional.

Proximity to raw material sources and favourable industry scenario

MATPL's plant is located at Maynaguri, Jalpaiguri, West Bengal which is nearby a number of tea gardens and also amidst a paddy growing region. The entire raw material requirement is met locally from the local tea gardens and farmers which helps the entity to save on substantial amount of transportation cost and also procure raw materials at effective prices. Further, tea being one of the major consumed beverages and rice being a staple food grain with India's position as one of the largest producer, demand prospects for the industry is expected to remain good in near to medium term.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning 'outlook' and 'credit watch](#)
[CARE's Policy on Default Recognition](#)
[Financial ratios – Non-Financial Sector](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology-Manufacturing Companies](#)

About the Company

Maynaguri Agro Tea Private Limited (MATPL) was incorporated on November 20, 2012 and currently, the company is being managed by Mr. Pawan Kumar Khorja and Mr. Sunil Khorja. Since its inception, the company has been engaged in milling and processing of rice. Later on, in the year 2016, the company has also started manufacturing of CTC tea. The manufacturing facility of the company is located at Maynaguri, Jalpaiguri, West Bengal and operates with an installed capacity of 64 metric tons per day for rice and 6 lakh kgs per year for tea. The company procures its raw materials i.e. paddy and green tea leaves from local farmers and tea gardens respectively.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	7MFY21 (Prov.)
Total operating income	33.62	32.93	27.64
PBILDT	4.10	4.22	NA
PAT	0.03	0.50	NA
Overall gearing (times)	4.47	2.79	NA
Interest coverage (times)	2.12	2.35	NA

A: Audited, Prov.: Provisional, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2024	6.83	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	4.98	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees		-	-	-	0.59	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	6.83	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (09-Nov-20)	1)CARE B+; Stable (24-Sep-19)	-
2	Fund-based - LT-Cash Credit	LT	4.98	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (09-Nov-20)	1)CARE B+; Stable (24-Sep-19)	-
3	Non-fund-based - ST-Bank Guarantees	ST	0.59	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (09-Nov-20)	1)CARE A4 (24-Sep-19)	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantees	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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