April 02, 2024

Holy-Land Marketing Pvt. Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	-	-	[ICRA]BBB(Stable); reaffirmed

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of rating factors in ICRA's expectations that Holy-Land Marketing Pvt. Ltd. (HMPL) will witness moderate revenue growth in the current fiscal led by its diverse product portfolio and growing distribution network. The expected revenue growth is in continuation to the healthy revenue growth of ~49% to Rs. 443 crore in FY2023 from Rs. 297 crore in FY2022. HMPL offers a wide basket of canned fruits, vegetables and other food products under its flagship brand, Golden Crown, which enjoys moderate visibility. The rating takes into account the extensive experience of HMPL's promoters in the processed food industry, coupled with HMPL's established track record and diversified end-customer base. Moreover, HMPL's coverage metrics are expected to remain comfortable in the near to medium term owing to its limited capital intensity, which results in lower debt dependence. ICRA also notes the company's focus on optimising its product mix by continuously adding new products and other dimensions, including varying stock-keeping units (SKUs).

The rating is, however, constrained by the highly fragmented nature of the industry with the presence of many unorganised players. It is further affected by the limited value addition undertaken by the company, which constrains the earnings and, thus, reserve accretion of the company. The volatility in the food prices also constrains the profitability; however, this is compensated to an extent by the company's ability to partly pass on the price increases. Maintaining an optimum product mix to augment profitability also remains critical. The rating also factors in the company's vulnerability to risks associated with foreign exchange (forex) rate fluctuations as it imports some of its raw materials, in the absence of any hedging mechanism.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that HMPL will continue to benefit from the growing market penetration through the expansion of its distribution network and product portfolio.

Key rating drivers and their description

Credit strengths

Experienced promoters with established track record in the industry – The promoters of HMPL have more than two decades of experience in the industry. The company offers canned fruits and vegetables under its flagship brand Golden Crown, with more than 300 products such as table sauces, juices, jams, pulps and purees, pasta, noodles, ready-to-eat snacks and food additives. With an established track record, HMPL has forged strong relationships with end customers, most of whom are reputed names in the hotel/restaurant/café (HoReCa) segment.

High customer and geographical diversification – The company has a large distribution network for its retail sales along with a portfolio of reputed institutional customers. HMPL exhibits healthy customer and geographic diversification. In 8M FY2024, its top 10 customers contributed ~22% to its total sales. Further, it has multiple customers across the states in India. The company operates through twelve depots spread across the country and has a well-spread dealer distribution network of more than 3000, which has been expanding over the last few years. Going forward, the company intends to open depots in tier-2 and tier- 3 cities, which will enhance its visibility across the vast domestic market.

Expanding product portfolio - The company always strives to achieve an optimum product mix for enhancing sales and improving profitability. Therefore, the company continues adding certain products and exiting some of the non-performing items. The company is predominantly a B2B player supplying food ingredients for the rapidly growing food service industry. However, in some segments particularly in its breakfast cereals vertical, the company has also launched SKUs for the retail markets. This is attributed to leveraging the strength in the product category due to the demands from its B2B clients. In continuation of the same strategy, HMPL is planning to foray into vegetarian frozen foods while partnering with one of the major players in the market.

Comfortable financial risk profile – In FY2023, the company achieved revenue of Rs. 443 crore, resulting in ~49% growth in comparison to revenue of ~Rs. 297 crore in FY2022. In the current fiscal, the company's revenue is expected to grow at a moderate pace on a high base on the back of stable demand, enhancing product mix and repeat orders from its clients. Until 9M FY2024, the company already achieved revenues of ~Rs. 372 crore. Improving but moderate margins are expected to result in moderate cash accruals. Limited fixed and working-capital intensity has also resulted in low indebtedness, which is entirely skewed towards working capital borrowing. The overall quantum of net worth remains moderate at ~Rs. 72 crore as on December 31, 2023, however, comfort is drawn from low indebtedness. The coverage indicators stood comfortable with interest coverage ratio of 7.7 times and DSCR of 2.2 times as on March 31, 2023. In the absence of any major debt raising plans, HMPL's coverage metrics are expected to be comfortable in the medium term.

Credit challenges

Highly competitive and fragmented industry; susceptible to competition from renowned brands - The company faces stiff competition in a highly fragmented industry. The competition comes from other reputed brands as well as unorganised players in the industry. However, the Golden Crown brand also has moderate visibility, lending pricing flexibility and bargaining power with customers to a certain extent.

Limited value addition resulting in moderate margins and accretion in net worth – There is a limited value addition in the company's overall business operations reflected in the modest and range-bound profit margin levels, which can be attributed to the trading nature of operations. However, the value addition to some extent comes in the form of making available a vast range of products that require domestic sourcing as well as imports and also making available seasonal products round the year. Reserve accretion in the net worth of the company remains moderate every year. However, going forward, the company is expanding into new geographies and enhancing the product mix, which would support profit scale-up.

Exposure to forex risks as some raw materials are imported – HMPL is exposed to forex risks because it imports a portion of its raw materials. The company imports certain raw materials from China, Malaysia, Thailand and others. In the absence of a hedging mechanism, any adverse movement in exchange rates could impact its margins. The company's profitability is also exposed to increasing raw material prices, as it is not feasible to pass on the entire increased cost to its clients.

Liquidity position: Adequate

The liquidity position is adequate, supported by moderate operational cashflows. Given the growth in operations, the company's limit utilisation has increased (~77% of the total limits on an average in the last 12 months ending February 2024), resulting in moderate buffers in the limit. HMPL maintains limited free cash balances, however, does not have any major capex or debt-raising plans and neither any major long-term repayment commitments, which lends comfort to its liquidity profile.

Rating sensitivities

Positive factors – The rating could be upgraded in case of a significant scale-up in revenues and profitability, leading to improvement in liquidity and material increase in net worth on a sustained basis. Further, TOL/TNW below than 1.5 times on a sustained basis, may also result in an upgrade.

Negative factors – ICRA could downgrade HMPL's ratings in the event of a significant deterioration in scale and profitability. Any material deterioration in liquidity may also warrant a downgrade. Interest coverage less than 2.8 times, on a sustained basis, could result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Rating Methodology on FMCG](#)
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

HMPL, incorporated in 1995, is based out of New Delhi with its main corporate office located in Gurgaon, Haryana. The company's current operations and business activities include branding, distribution and marketing of canned fruits and vegetables along with a large basket of other processed foods. This is facilitated through its 12 company-owned depots in Delhi, Mumbai, Bangalore, Ahmedabad, Punjab, Chennai, Pune, Kolkata, Hyderabad, Guwahati, Indore and Sonipat, supported by a 3,000-plus strong dealer-distribution network. The company has recently opened depots in Guwahati, Indore and Sonipat, and intends to expand in tier-2 towns, which will further enhance the company's visibility and scale of operations. HMPL also keeps on augmenting its product basket with new and consistent additions.

Key financial indicators (audited/provisional)

HMPL Standalone	FY2022	FY2023	9M FY2024*
Operating income	297.1	443.4	372.6
PAT	9.9	15.4	14.9
OPBDIT/OI	5.1%	5.3%	5.9%
PAT/OI	3.3%	3.5%	4.0%
Total outside liabilities/Tangible net worth (times)	1.3	1.4	-
Total debt/OPBDIT (times)	2.0	1.9	-
Interest coverage (times)	7.0	7.7	-

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore, *Provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

<table>
<tr><th rowspan="3"></th><th rowspan="3">Instrument</th><th colspan="3">Current rating (FY2025)</th><th colspan="4">Chronology of rating history for the past 3 years</th></tr>
<tr><th rowspan="2">Type</th><th rowspan="2">Amount rated (Rs. crore)</th><th rowspan="2">Amount outstanding as on Dec 31,2023 (Rs. crore)</th><th>Date & rating in FY2025</th><th>Date & rating in FY2024</th><th>Date & rating in FY2023</th><th>Date & rating in FY2022</th></tr>
<tr><th>Apr 02, 2024</th><th>-</th><th>Mar 23, 2023</th><th>Mar 04, 2022</th></tr>
<tr><td>1</td><td>Issuer Rating</td><td>Long term</td><td>-</td><td>-</td><td>[ICRA]BBB (Stable)</td><td>-</td><td>[ICRA]BBB (Stable)</td><td>[ICRA]BBB (Stable)</td></tr>
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Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer Rating	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here.

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Issuer Rating**	NA	NA	NA	-	[ICRA]BBB(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis - Not applicable

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Kinjal Shah
+91 022 61143400
kinjal.shah@icraindia.com

Sheetal Sharad
+91 124 4545374
sheetal.sharad@icraindia.com

Nishant Misra
+91 124 4545862
nishant.misra@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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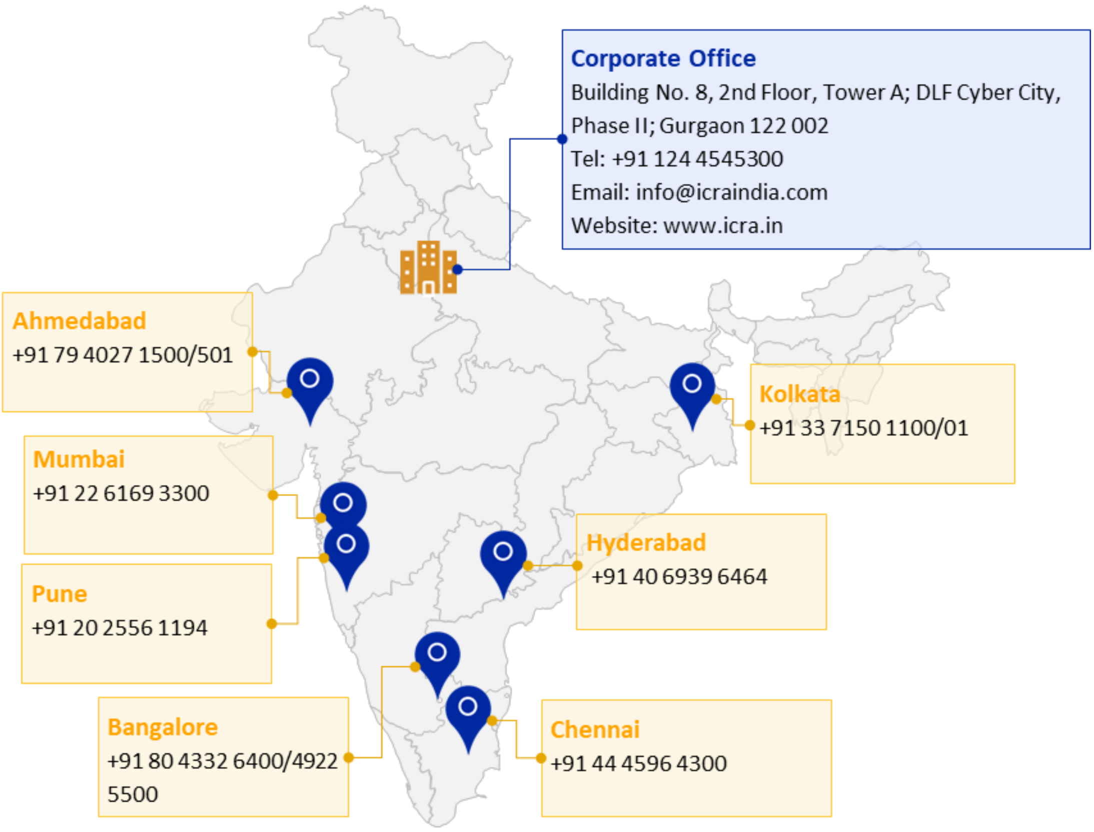
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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