

March 23, 2023

## Holy-Land Marketing Pvt. Ltd.: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer Rating	0.00	0.00	[ICRA]BBB(Stable); reaffirmed
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	

\*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 healthy revenue growth in the current fiscal led by its diverse product portfolio and growing distribution network. HMPL offers a wide basket of canned fruits, vegetables and other food products under its flagship brand, Golden Crown, which enjoys a 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, given the limited capital intensity of the business resulting in low debt dependence, HMPL's coverage metrics are expected to remain comfortable in the near to medium term. ICRA also notes the improvement in receivable collection period in FY2022 and the current fiscal, the sustenance of which remains to be seen.

The ratings are, however, constrained by the highly fragmented nature of the industry with presence of many unorganised players. The ratings are further constrained 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 optimum product mix to augment the 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 expansion in 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. Its established track record has led to established relationships with end-customers, majority of whom are reputed names in the 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 9M FY2023, its top 10 customers contributed ~21% to its total sales. Further, it has multiple customers across various states in India. The company operates through nine depots spread across the country and has a well spread dealer distribution network, which it has been expanding over the last few years.

**Comfortable financial risk profile** – HMPL's financial performance in FY2022 improved in line with expectations after witnessing substantial deterioration in FY2021 amid the pandemic. In FY2022, the company's revenue grew at ~69% to Rs. 297.1 crore on the back of stable demand and repeat orders from its clients. In the current fiscal, the company has already achieved revenues of ~Rs. 325 crore till December 31, 2022. 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 modest at ~Rs. 53 crore as on December 31, 2022, but the leverage remains comfortable with gearing of 0.6 times during the same period. The coverage indicators stood comfortable with interest coverage ratio of 8.6 times and DSCR of 6.8 times as on December 31, 2022. In 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** – There is a limited value addition in the overall business operations of the company reflecting in the modest and range-bound profit margin levels, which can be attributed to the trading nature of operations. In the current fiscal, the company also offered discounts for early payments to control receivables, which limited its profit growth. Consequently, 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 countries like China. 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 increase to its clients.

### Liquidity position: Adequate

The liquidity position is **adequate**, supported by moderately healthy operational cashflows. The liquidity is supported by available cushion in the working capital limits (~68% of the total limits on an average in the last 12 months ending December 2022). The liquidity is further aided by free cash balances of Rs. 5.7 crore as on December 31, 2022. The company does not have any major capex or debt raising plans and neither does it have any major long-term repayment commitments. ICRA also notes the improvement in its receivable collection period in FY2022 and the current fiscal, whose sustenance remains to be seen.

### Rating sensitivities

**Positive factors** – The rating could be upgraded in case of significant scale up in the revenues and profitability, leading to material increase in net worth. 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. Decrease in interest coverage, on a sustained basis, to less than 2.8 times could result in a rating downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology on FMCG</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

HMPL was incorporated in 1995. The current operations and business activities of the company include production, branding and marketing of canned fruits and vegetables along with other processed foods and their distribution through company depots at Delhi, Mumbai, Bangalore, Ahmedabad, Chennai, Hyderabad, Kolkata and Pune from more than a 2,500-strong dealership network. 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. HMPL supplies its products to a large customer base, which includes reputed hospitality chains. The company has recently hired several top management personnel to strengthen the overall organization structure.

### Key financial indicators (audited/provisional)

Standalone	FY2021	FY2022	9M FY2023*
Operating income	175.3	297.1	324.5
PAT	1.0	9.9	10.7
OPBDIT/OI	1.8%	5.1%	5.1%
PAT/OI	0.6%	3.3%	3.3%
Total outside liabilities/Tangible net worth (times)	1.5	1.3	1.1
Total debt/OPBDIT (times)	9.0	2.0	1.5
Interest coverage (times)	1.4	6.9	8.6

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

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				Mar 23, 2023	Mar 04, 2022	Feb 23, 2021	-
1 Issuer Rating	Long Term	0.00	0.00	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-

Source: Company

## 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	0.00	[ICRA]BBB(Stable)

Source: Company

#### Annexure II: List of entities considered for consolidated analysis – Not Applicable

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