

November 16, 2021

## Reitzel India Private Limited: Ratings reaffirmed; outlook revised to Stable

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term Fund-based	29.00	29.00	[ICRA]A3 reaffirmed
Short -term – Non Fund Based	09.50	09.50	[ICRA]A3 reaffirmed
Long-term/ Short -term- Unallocated	01.50	01.50	[ICRA]BBB- (Stable)/[ICRA]A3; reaffirmed with change in outlook to Stable from Negative
<b>Total</b>	<b>40.00</b>	<b>40.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The revision in outlook to Stable from Negative for Reitzel India Private Limited (RIPL) takes into account the improvement in the financial performance for FY2021 and expected improvement in FY2022 with 5MFY2022 revenues at Rs. 52.3 crore. The profitability also witnessed considerable uptick in FY2021 on back of economies of scale and higher export demand. The rating continues to factor in the established global presence of Reitzel Group in the food-processing industry since 1909 and the strong brand positioning. The ratings are supported by the comfortable capital structure of the company, supported by its healthy net worth position.

However, the ratings remained constrained by the high working capital intensity exhibited by RIPL, in line with the nature of business it is engaged in. Seasonal raw material procurement generally results in high inventory carrying costs for the company. Furthermore, company's profitability remains vulnerable to fluctuations in raw material procurement prices. The ratings are also constrained by the exposure of the firm's profitability to fluctuations in foreign exchange rates, considering its high dependence on exports

### Key rating drivers and their description

#### Credit strengths

**Long operating track record of the Reitzel's Group and experience of the management in the food industry** – Reitzel's Group (which comprised RIPL along with group companies Reitzel SA and Reitzel International (Suisse) SA) has a long-standing operating track record. The experience of RIPL's management spans over decades, which has helped the company to establish its brand over the years.

**Comfortable capital structure and healthy debt protection metrics** – The gearing remained low at 0.3 times as on March 31, 2021 owing to low debt levels. The company's debt profile as on March 31, 2021 comprised of working capital facility of Rs. 27.9 crore. The coverage indicators remained healthy with an interest coverage of 15.2 times, TD/OPBDITA of 2.2 times and NCA/TD of 44.9% for FY2021. ICRA estimates that with a growth in business from various countries and improvement in profitability, the company would maintain healthy debt protection metrics in future years. Also, with limited capex and no term debt in the structure, the capital structure is likely to remain comfortable in the near term.

## Credit challenges

**High working capital intensity inherent in the nature of business** – RIPL exhibits high working capital intensity as inherent in the industry it operates in. The company recorded working capital intensity of 38.7% in FY2021. The company undertakes seasonal procurement of raw material, which results in high inventory levels at year end, thus leading to higher working capital requirements for the company.

**Profitability remains vulnerable to raw material procurement prices** – The company derives majority of its revenues from sales of processed gherkins, whose availability is subject to seasonality being an agricultural product. The yield from cultivation can vary depending on changes in the climatic conditions impacting the material availability and pricing, which can in turn affect its margins.

**Vulnerability of profitability to fluctuations in foreign exchange rates and raw material prices** – As the firm is 100% Export Oriented Units (EOU), its profit margin remains susceptible to foreign exchange fluctuations. Further, the firm's profitability also remains exposed to agro commodity prices, which depend on the agro climatic conditions and the demand-supply situation in the market. However, its receivables are hedged through the use of PCFC bank facility.

## Liquidity position: Adequate

RIPL's liquidity is expected to remain Adequate, evidenced by its cash and liquid investments and undrawn working capital facilities, aggregating to approximately Rs. 20.0 crore as of March 31, 2021. The firm does not have any fixed debt repayment obligations. The entity also has non-fund based facility of Rs.9.5 crores, which remains largely unutilised. RIPL has a capex plan of Rs. 1.5 - 2.0 crore for FY2021 towards upgradation of machineries and other facilities which will be funded through internal accruals. With no debt repayment obligation and undrawn working capital facility couples with sufficient cash & liquid investment, the company's liquidity to remain adequate.

## Rating sensitivities

**Positive factors** – ICRA could upgrade the ratings if RIPL is able to scale up the operations and improve its profitability leading to healthy return indicators. Over the medium term, the ratings may be upgraded if the return on capital employed improves to more than 14% on a sustained basis.

**Negative factors** – Negative pressure on ratings could arise if the company's scale of operations or profitability declines leading to weakened coverage indicators. Specific credit metrics would be interest cover of less than 3.0 times.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the Standalone financials of RIPL.

## About the company

Reitzel India Private Limited was incorporated in 2005 as a subsidiary of Reitzel SA, a Switzerland based company. Reitzel is engaged in processing and export of pickled vegetables such as gherkins, baby corn and jalapenos. The company is a 100% export-oriented unit exporting to countries across the world with European countries being the major revenue contributors. Reitzel engages farmers in Karnataka, Tamil Nadu and Andhra Pradesh for growing the required variants of 3 gherkins, baby corns and other vegetables under contract farming model. The manufacturing facility of the company is in Kunigal, Karnataka, with a processing capacity of 34000 MTPA.

## Key financial indicators

RIPL Consolidated	FY2020 (Audited)	FY2021 (Prov.)
Operating Income (Rs. crore)	105.7	134.5
PAT (Rs. crore)	7.0	9.0
OPBDIT/OI (%)	9.0%	9.4%
PAT/OI (%)	6.7%	6.7%
Total Outside Liabilities/Tangible Net Worth (times)	0.6	0.8
Total Debt/OPBDIT (times)	1.9	2.2
Interest Coverage (times)	15.5	15.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

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

## Any other information: None

## Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Nov 16, 2021	Apr 30, 2020	NA	Oct 30, 2018
1	Fund Based	Short term	29.00	-	[ICRA]A3	[ICRA]A3	NA	[ICRA]A3
2	Non Fund Based	Short term	09.50	-	[ICRA]A3	[ICRA]A3	NA	[ICRA]A3
3	Unallocated	Long term/short term	01.50	-	[ICRA]BBB-(Stable)/ [ICRA]A3	[ICRA]BBB-(Negative)/ [ICRA]A3	NA	[ICRA]BBB-(Negative)/ [ICRA]A3

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Short -term - Fund-based	Simple
Short -term - Non fund based	Simple
Long-term/ Short -term – Unallocated	NA

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 analyzing 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, is available on ICRA's website: [www.icra.in](http://www.icra.in)

#### Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
State Bank of India	Export Packing Credit	NA	NA	NA	19.00	[ICRA]A3
State Bank of India	Foreign Bill Discounting	NA	NA	NA	10.00	[ICRA]A3
State Bank of India	Letter of Credit	NA	NA	NA	6.75	[ICRA]A3
State Bank of India	Bank Guarantee	NA	NA	NA	0.25	[ICRA]A3
State Bank of India	Credit Exposure Limit	NA	NA	NA	2.50	[ICRA]A3
-	Unallocated	NA	NA	NA	1.50	[ICRA]BBB-(Stable)/[ICRA]A3

Source: Company

#### Annexure-2: List of entities considered for consolidated analysis

Company Name	RIPL Ownership	Consolidation Approach
NA	NA	NA

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