

June 23, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan	30.00	SMERA BB/Stable (Assigned)
Cash Credit	8.00	SMERA BB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.38.00 crore fund based facilities of Salonah Tea Private Limited (STPL). The outlook is '**Stable**'. The rating derives comfort from the company's healthy profitability and extensive experience of promoters in the tea plantation business. The rating is also supported by the locational advantage STPL enjoys. However, the rating is constrained by the company's high leverage ratio and exposure to agro climatic risk in a labor intensive industry. The rating is further constrained by STPL's exposure to an intensely competitive and fragmented tea plantation industry.

STPL, established in 2012, is a Kolkata-based company, engaged in the plantation and processing of tea. The company has healthy profitability margin, as reflected in the operating margin of 23.32 per cent and net margin of 12.79 per cent in (provisional) in FY2014–15 (financial year, April 01 to March 31). The company is promoted by Mr. Satish Bhuwalka, who has around three decades of experience in the tea industry. Besides, the company enjoys locational advantage since its tea garden is Nargaon, Assam.

STPL has high leverage (total outside liabilities to tangible networth ratio) of 4.17 times as on March 31, 2014. Additionally, the company is exposed to agro climate risks and being a labour intensive business, labour unrest is yet another risk factor. Also, the company operates in a fragmented and highly competitive industry.

Outlook: Stable

SMERA believes STPL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile.

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About the Company

STPL, incorporated in 2012, is a Kolkata-based company promoted by the Bhuwala family. The company is engaged in the plantation and processing of tea. The company's tea garden is located in Nargaon-Assam.

STPL reported profit after tax (PAT) of Rs.4.39 crore on operating income of Rs.34.34 crore for FY2013-14, as compared with PAT of Rs.1.46 crore on operating income of Rs.16.73 crore for FY2012-13. The company's net worth stood at Rs.10.84 crore as on March 31, 2013, as against Rs.6.45 crore a year earlier.

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