

### Salonah Tea Private Limited: Downgraded

Name of the Instruments	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	8.00	SMERA D (Downgraded from SMERA BB/Stable)
Term Loan	30.00	SMERA D (Downgraded from SMERA BB/Stable)

SMERA has downgraded the bank loan rating on the Rs.38.00 crore bank facilities of Salonah Tea Private Limited (STPL) to **SMERA D (read as SMERA D)** from SMERA BB/Stable. The downgrade reflects delay in servicing and repayment of debt by the company. The rating also reflects the stretched liquidity profile.

The above-mentioned rating is constrained by the company's weak liquidity position and weak financial risk profile. The rating is further constrained by STPL's exposure to agro climatic risks, labour issues and intense competition in the tea plantation industry. However the company continues to benefit from its experienced management.

#### Update

For FY2014-15 (refers to financial year, April 01 to March 31), STPL has registered net losses of Rs.2.03 crore on operating income of Rs.31.34 crore in contrast to net profit of Rs.4.39 crore on operating income of Rs.34.34 crore in FY2013-14. STPL incurred losses due to increase in interest and finance cost to Rs.5.42crore in FY2014-15 against Rs.1.02 crore during the previous year. The financial risk profile has deteriorated marked by high leverage (debt-equity ratio) of 4.24 times as on March 31, 2015 against 0.27 times during the previous year and weak interest coverage ratio of 1.11 times in FY2014-15 as compared to 8.52 times in FY2013-14 (refers to financial year, April 01 to March 31). The company is exposed to agro climatic risk and labour issues in the tea plantation industry.

However, the company benefits from its experienced management. Mr. Satish Bhuwalka, Director, has more than 30 years of experience in tea industry.

#### Rating Sensitivity Factors

- Curing of default
- Sustainable growth in revenue and profitability profile

#### Criteria applied to arrive at the rating:

- Manufacturing Entities

### About the Company

The West Bengal-based STPL was incorporated in 2012 by the Bhulkwa family. The company is engaged in the plantation and processing of tea. The tea garden is located at Nargaon, Assam.

For FY2014-15, STPL reported net loss of Rs.2.03 crore on operating income of Rs.31.34 crore as compared with PAT of Rs.4.39 crore on operating income of Rs.34.34 crore for FY2012-13. As per 12 months provisional financials in FY2015-16, the company reported operating income of Rs.33.45 crore. The net worth stood at Rs.8.81 crore as on March 31, 2015 as compared with Rs.10.84 crore a year earlier.

### Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Ratings	Outlook
			Long Term	
23 June, 2015	Term Loan	30.00	SMERA BB (Assigned)	Stable
	Cash Credit	8.00	SMERA BB (Assigned)	Stable

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