

### Salonah Tea Private Limited: Upgraded

Facilities	Amount (Rs. Crore)	Rating/Outlook
Term Loan	30.00	SMERA B/Stable (Upgraded from SMERA D)
Cash Credit	8.00	SMERA B/Stable (Upgraded from SMERA D)

SMERA has upgraded the rating on the above mentioned fund based bank facilities of Salonah Tea Private Limited (STPL) to **'SMERA B' (read as SMERA B)** from 'SMERA D' (read as SMERA D). The outlook is **'Stable'**. The rating upgrade is in view of the timely servicing of debt by the company since September 2016.

The rating is constrained by the weak financial risk profile marked by losses at net level, high gearing and weak debt protection metrics. The ratings are further constrained by the company's exposure to agro climatic risks. However, the rating weaknesses are partially offset by the experienced management and established relations with customers and suppliers. The rating also factors in the intensely competitive and fragmented tea industry.

### Update

STPL, incorporated in 2012, is a West Bengal-based company engaged in the plantation, production, processing and selling of tea. For FY2015-16 (refers to financial year, April 01 to March 31), STPL registered net losses of Rs.1.07 crore as compared to Rs.2.03 crore in the previous year on account of increase in employee cost. The financial risk profile has deteriorated marked by high leverage (debt-equity ratio) of 4.54 times as on March 31, 2016 against 4.24 times during the previous year. The company has low interest coverage ratio of 1.29 times in FY2015-16 as against 1.11 times in FY2014-15 (refers to financial year, April 01 to March 31). STPL's debt servicing coverage ratio (DSCR) stands low at 0.74 times in FY2015-16 and 1.09 times in FY2014-15. Besides, the company is exposed to agro climatic risks and labour issues in the tea plantation industry apart from intense market competition.

However, the company benefits from its experienced management. Mr. Sushil Kumar Bhuwarka, Director, has more than 30 years of experience in the industry.

### Outlook: Stable

SMERA believes that STPL will maintain a stable outlook over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' if the company registers sustained growth in revenue and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and working capital management.

### Rating Sensitivity Factors

- Improvement in profitability
- Large debt funded capital expansion
- Movement in capital structure

**Criteria applied for arriving at the rating:**

- Manufacturing Entities

**About the Company**

The West Bengal-based, STPL, incorporated in 2012 by Mr. Sushil Kumar Bhuwalka, Mr. Sitaram Bhuwalka and Mr. Ishwarlal Bhudarbhai Ubhadia is engaged in tea production. The tea garden of the company is located at Assam.

For FY2015-16, STPL reported net loss of Rs.1.07 crore on operating income of Rs.33.40 crore as compared with net loss of Rs.2.03 crore on operating income of Rs. 31.34 crore for FY2014-15. The net worth stood at Rs.7.74 crore as on March 31, 2016 as compared with Rs.8.81 crore a year earlier.

**Rating History**

Date	Facilities	Amount	Ratings		Outlook
		(Rs. Crore)	Long Term	Short Term	
28 June, 2016	Term Loan	30.00	SMERA D (Downgraded)	-	-
	Cash Credit	8.00	SMERA D (Downgraded)	-	-
23 June, 2015	Term Loan	30.00	SMERA BB (Assigned)	-	Stable
	Cash Credit	8.00	SMERA BB (Assigned)	-	Stable

**Contacts:**

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.