

July 10, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.16	SMERA BB+/Stable (Assigned)
Cash Credit	5.28	SMERA BB+/Stable (Assigned)
Gold Card	6.00	SMERA A4+ (Assigned)
Packing Credit (PC) *	16.00	SMERA A4+ (Assigned)
Foreign Bill Purchase (FBP) *	18.00	SMERA A4+ (Assigned)
Advance for Bills Collection (AFBC) *	2.00	SMERA A4+ (Assigned)
Letter of Credit	0.30	SMERA A4+ (Assigned)

**Interchangeability between PC and FBP to the tune of Rs.10.00 crore and vacancy in AFBC limit is permissible for utilization as FBP.*

SMERA has assigned ratings of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.6.44 crore long-term bank facility and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.42.30 crore short-term bank facility of SSK Exports Limited (SEL). The outlook is '**Stable**'. The ratings are supported by the company's long track record of operations, experienced management and the moderate scale of operations. The ratings also draw comfort from the improved profitability and established relations with customers. However, the ratings are constrained by the high gearing and moderate coverage indicators. The ratings are further constrained by the company's exposure to volatility in tea prices, increasing global competition and dependence on agro-climatic conditions.

SEL, incorporated in 1993, is a Kolkata-based company engaged in the cultivation, manufacture, trading (blending) and export of tea. The company is headed by Mr. Anoop Kumar who has around three decades of experience in the tea industry. SEL has moderate scale of operations with operating income of Rs.124.38 crore (provisional) in FY2014-15 as against Rs.134.36 crore in the previous year. The operating margins have improved to 6.51 per cent (provisional) in FY2014-15 from 6.07 per cent in FY2013-14 due to increased sales realisations. Besides, the net profit margins have also improved to 2.06 per cent (provisional) in FY2014-15 from 1.63 per cent in FY2013-14. SEL has established relations of 10 to 25 years with export as well as domestic customers.

The company has high gearing with debt-to-equity ratio of 2.06 times as on March 31, 2015 compared to 2.59 times in the previous year. The adjusted gearing (for bills discounting facility) stood high at 4.07 times as on March 31, 2015 as against 5.59 times as on March 31, 2014. The company's total debt mainly includes working capital borrowings. The interest coverage ratio stood at 1.80 times in FY2014-15. SEL's average cash credit limit utilization is at ~85.26 per cent during October 2014 to March 2015.

SEL is exposed to volatility in tea prices and increasing global competition particularly from Kenya apart from risks associated with agro-climatic conditions.

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Outlook: Stable

SMERA believes that SEL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company increases its scale of operations and registers a sustained improvement in its profit margins or improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and profit margins or in case of deterioration in the company's capital structure on account of higher-than-expected working capital requirements.

About the Company

SEL, incorporated in 1993, is a Kolkata-based company promoted by Mr. Anoop Kumar. The company is engaged in the cultivation, manufacture, trading (blending) and export of tea. The company's tea garden – The Boisahabi Tea Estate of 809.59 hectares (area under cultivation of 498.28 hectares) is located at Selenghat, Jorhat, Assam. SEL's tea factory has capacity of producing tea of 15.00 lakh kg per annum (about 8.00 lakh kg per annum from its own garden leaf).

SEL reported profit after tax (PAT) of Rs.2.19 crore on operating income of Rs.134.36 crore for FY2013-14, as compared with PAT of Rs.1.66 crore on operating income of Rs.105.16 crore in FY2012-13. The company reported PAT of Rs.2.57 crore (provisional) on operating income of Rs.124.38 crore (provisional) for FY2014-15. The company's net worth stood at Rs.7.79 crore as on March 31, 2014, as compared with Rs.5.50 crore a year earlier.

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