

SPBP Tea (India) Limited:Reaffirmed

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	7.00	SMERA BB-/Stable (Reaffirmed)
Proposed Long Term	0.15	SMERA BB-/Stable (Assigned)

SMERA has reaffirmed the long term rating of '**SMERA BB-' (read as SMERA double B minus)** on the Rs.7.00 crore facility and assigned long term rating of '**SMERA BB-' (read as SMERA double B minus)** on the Rs.0.15 crore facility of SPBP Tea (India) Limited (SPBP). The outlook is '**Stable**'.

The rating continues to derive comfort from the extensive experience of the promoters and long track record of operations. However, the rating is constrained by the working capital intensive business and weak financial risk profile.

Update

The Wearit group, incorporated in 1939, has business interests in tea, textiles and power. The group is headed by Mr. Manish Kumar, Managing Director and supported by an experienced management team. SPBP, incorporated in 1981, is engaged in the tea business and enjoys support and corporate guarantee from Wearit Global Limited, the flagship company of the Wearit group.

The company's revenue fell to Rs.10.77 crore in FY2016 from Rs.15.10 in FY2015 due to inadequate rainfall in Assam during the year. Moreover, the company has sold only own leaf in FY2016 as compared to an equal proportion of bought and owned leaves in the preceding years. The operating margin increased to 10.86 per cent in FY2016 from 6.98 per cent in FY2015 which is also due to significant decline in material costs for negligible purchase of bought leaf. The net profit margin of the company continues to be at low levels of 0.70 per cent in FY2016, though it has improved from 0.29 percent in FY2015.

The company continues to be working capital intensive marked by high gross current asset days of 200 in FY2016. This is due to the high inventory holding period of nearly two months. The cash credit utilisation has been 94 per cent during the last six months ended October, 2016.

The weak financial risk profile is marked by high gearing of 2.62 times, moderate interest coverage of 1.11 times and Net Cash Accruals to Total debt is at 0.07 times in FY2016 while Debt Service Coverage Ratio (DSCR) is low at 0.95 times in FY2016. However, the rating derives comfort from the financial flexibility of the promoters and absence of long term debt obligations.

Rating Sensitivity Factors

- Improving margins and scale of operations
- Efficient working capital management

Outlook-Stable

SMERA believes that the outlook on SPBP will remain stable over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers significant increment in its profitability while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability and stretched working capital cycle.

Criteria applied to arrive at the ratings

- Manufacturing entities

About the Company

Incorporated in 1981, SPBP Tea, part of the Wearit Group was promoted by Mr. Manish Kumar. The company undertakes processing of crush, tear and curl (CTC) variety of tea in Sonitpur (Assam). The area under cultivation is around 363.45 hectares.

For FY2015-16, the company reported PAT of Rs.0.08 crore on total operating income of Rs.10.77 crore as compared to PAT of Rs.0.04 crore on total operating income of Rs.15.20 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
30 Nov, 2015	Cash Credit	7.00	SMERA BB- (Assigned)	-	Stable
	Term Loan	0.15	SMERA BB- (Assigned)	-	Stable

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ABOUT SMERA

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