

## Press Release

### SPBP Tea (India) Limited

09 March, 2018



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 7.15 Cr.
<b>Long Term Rating</b>	SMERA BB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.7.15crore bank facilities of SPBP Tea (India) Limited. The outlook is '**Stable**'.

Incorporated in 1981, SPBP Tea, part of the WearitGlobal 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.

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 Wearit Group.

### Key Rating Drivers

#### Strengths

- **Experienced management and long track record of operation**

The group is into existence since 1939. SPBP was incorporated in 1981 as a tea producing unit. The director of the company Mr. Akshay Agarwal and Mr. Raghvendra Motha has more than two decades of experience in the tea industry. Managing director of the company and group Mr. Manish Kumar has good experience of the diversified industry such as tea, textile and power.

- **Moderate scale of operation**

The scale of operation of the company stood moderate at Rs.14.14 crore in FY2017 as compared to Rs.10.77 crore in FY2016. The company has booked Rs.15.14 crore till January in FY2018 (Provisional).

#### Weaknesses

- **Average financial risk profile**

The average financial risk profile of the company is marked by low networth, high gearing and moderate debt protection metrics. The net worth of the company stood low at Rs.2.80 crore in FY2017 as compared to Rs.3.46 crore in FY2016, the reduction is mainly on account of losses incurred in FY2017. The gearing of the company stood high at 3.77 times in FY2017 as compare to 2.62 times in FY2016. The total debt of Rs.10.56 crore consist long term debt of Rs.0.60 crore, unsecured loan from promoters of Rs.0.45 crore and short term debt of Rs.9.51 crore. The interest coverage ratio (ICR) of the company stood moderate at 1.01 times in FY2017 as compare to 1.19 times in FY2016. The debt service coverage ratio (DSCR) of the company stood low at 0.39 times in FY2017 as compare to 0.95 times in FY2016. The net cash accruals against the total debt stand low at negative 0.01 times in FY2017 as compare to 0.07 times in FY2016

- **Working capital intensive nature of operation**

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 148 days in 2016-17, as compare to 201 days in 2015-16. These high GCA days emanates from high inventory days of 81 days in FY17. The company's operations are expected to remain capital intensive, as

the company is engaged in processing of tea, which leads to a relatively high inventory period mainly inherent cyclicity of the industry. Debtor days of the company stand comfortable at 1 in FY2017 as compare to 2 days in previous year.

### Analytical Approach

SMERA has considered the standalone business and financial risk profile of SPBP Tea.

### Outlook: Stable

SMERA believes the outlook on SPBP's rated facilities will remain stable over the medium term backed by its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers significant improvement in its financial risk profile while maintaining the scale of operation. The outlook may be revised to 'Negative' in case of decline in company's financial risk profile and stretched working capital cycle.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	14.14	10.77	15.10
EBITDA	Rs. Cr.	1.14	1.17	1.05
PAT	Rs. Cr.	(0.67)	0.08	0.04
EBITDA Margin	(%)	8.09	10.86	6.98
PAT Margin	(%)	(4.71)	0.70	0.29
ROCE	(%)	4.27	6.01	7.30
Total Debt/Tangible Net Worth	Times	3.77	2.62	2.27
PBDIT/Interest	Times	1.01	1.19	1.17
Total Debt/PBDIT	Times	9.19	7.26	6.01
Gross Current Assets (Days)	Days	148	201	125

### Status of non-cooperation with previous CRA (if applicable)

NA

### Any other information

NA

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Dec-2016	Cash Credit	Long Term	INR 7.00	SMERA BB-/ Stable (Reaffirmed)
	Proposed Long Term	Long Term	INR 0.15	SMERA BB-/ Stable (Assigned)
30-Nov-2015	Cash Credit	Long Term	INR 7.00	SMERA BB-/ Stable (Assigned)
	Term Loan	Long Term	INR 0.15	SMERA BB-/ Stable (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB-/ Stable
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	0.15	SMERA BB-/ Stable

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## ABOUT SMERA

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