

December 15, 2015

Facilities	Amount (Rs. Crore)	Rating
Tea Hypothecation	5.94	SMERA B-/Stable (Assigned)
Cash Credit	0.26	SMERA B-/Stable (Assigned)
Working Capital Term Loan (WCTL)	3.00	SMERA B-/Stable (Assigned)
Term Loan	0.18	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-' (read as SMERA B minus)** to the above mentioned bank facilities of Korangani Tea Company Private Limited (KTCPL). The rating is constrained by the company's small scale of operations, volatility in tea prices and agro-climatic risk. The rating also factors in the weak financial profile marked by negative net worth due to losses in FY 2015, weak coverage indicators and the stretched liquidity position. However, the rating draws support from the long operational track record and experienced management.

Outlook

SMERA believes KTCPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company generates healthy cash flows from operations while registering higher-than-expected revenues. The outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile.

Rating Sensitivity Factors

- Ability to scale up operations while sustaining the profit margins
- Improvement in the liquidity position

About the Company

The Assam-based KTCPL, established in 1926, is promoted by the Chaliha family. The company is engaged in the cultivation and processing of tea. It owns a tea estate at Dibrugarh (Assam) and has two tea brands -Korangani and Pradip.

For FY2014-15, KTCPL reported loss of Rs.1.34 crore on operating income of Rs.14.94 crore, as compared with profit after tax (PAT) of Rs.0.23 crore on operating income of Rs.15.08 crore in FY2013-14.

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SMERA RATINGS LIMITED

Korangani Tea Company Private Limited (KTCPL)

Rating Rationale

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