

## Press Release

14 March, 2017

### Korangani Tea Company Private Limited

#### Rating Reaffirmed

<b>Total Bank Facilities Rated *</b>	Rs.9.38 Cr
<b>Long Term Rating</b>	SMERA B-/Stable

*\*Refer Annexure for details*

#### Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 9.38 crore bank facilities of Korangani Tea Company Private Limited. The outlook is '**Stable**'.

The Assam-based Korangani Tea Company Private Limited (KTCPL) established in 1926 was promoted by Mr Chaliha and family. The company is engaged in the cultivation and processing of tea at Dibrugarh (Assam). The company sells its products under the Korangani and Pradip brands.

#### Key Rating Drivers

##### Strengths

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

KTCPL was established in 1926 by the Late Jadav Prasad Chaliha and family. The promoters (the Chaliha family) possesses extensive experience in the manufacturing and cultivation of tea.

##### Weaknesses

- **Below average financial risk profile**

The gearing continued to be at negative levels (4.18 times) in FY2016 as against 5.30 times in FY2015 owing to negative networth of Rs 2.10 cr in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 0.65 times in FY2016.

- **Small scale of operations**

KTCPL registered revenue of Rs 15.63 cr in FY2016 compared to Rs 14.94 cr in FY2015.

- **Negative profit margins**

The margin continues to remain at low levels inspite of the fact that it improved from 0.69 per cent in FY2015 to 2.59 per cent in FY2016. The low operative margins are on account of high employee costs, power and fuel and high administrative expenses. The net profit margin continues to be at (negative) 3.98 per cent in FY2016 compared to 8.99 per cent in FY2015 on account of high interest costs and depreciation.

##### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

##### Outlook: Stable

SMERA believes that KTCPL will maintain a stable outlook over the medium term owing to its

experienced management. The outlook may be revised to 'Positive' in case the company increases its scale of operations and registers sustained improvement in its profit margins. Conversely the outlook may be revised to 'Negative' in case of significant decline in revenues and profit margins or deterioration in the capital structure on account of higher-than-expected working capital requirements.

### About the Rated Entity - Key Financials

For FY2015-16 KTCPL reported loss of Rs.0.62 cr on operating income of Rs.15.63 cr as compared with loss of Rs.1.34 cr on operating income of Rs.14.94 cr in FY2014-15.

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

None

### Any other information

None

### 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
15-Dec-2015	Tea Hypothecation	Long Term	INR 5.94	SMERA B- / Stable
	Cash Credit	Long Term	INR 0.26	SMERA B- / Stable
	Working Capital Term Loan (WCTL)	Long Term	INR 3	SMERA B- / Stable
	Term Loan	Long Term	INR 0.18	SMERA B- / Stable

### \*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 (Tea Hypothecation)	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA B- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.14	SMERA B- / Stable
Working Capital Term Loan	Not Applicable	Not Applicable	31-Mar-2022	3.00	SMERA B- / Stable
Term Loan	Not Applicable	Not Applicable	31-Aug-2019	0.15	SMERA B- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.59	SMERA B- / Stable

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**ABOUT SMERA**

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