

Press Release

Korangani Tea Company Private Limited (KTCPL)

20 April, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 9.38cr.
Long Term Rating	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 (KTCPL). The outlook is '**Stable**'.

Korangani Tea Company was established in 1926 by Late Jadav Prasad Chaliha. Later it was incorporated in 1999 as Private Limited by Mr. Ranjit Chaliha, Debajit Chaliha, Mrs. Anchala Chaliha and Dhrubajit Chaliha as Korangani Tea Company Private Limited. The company is engaged in cultivation and manufacturing of tea. The Korangani products were launched in North-East India through its distribution unit, DKD Marketing. - Korangani Tea is now available in most parts of eastern India in retail stores like Big Bazaar.

Key Rating Drivers

Strengths

- **Long track record of operations**

Korangani Tea Company established as on 1926 by Late Jadav Prasad Chaliha and KTCPL was incorporated as on 1999 by Chaliha family. The promoters have long standing experience in the tea manufacturing and cultivation business.

Weaknesses

- **Below average financial risk profile**

The financial risk profile is marked by low networth, negative gearing and low debt protection measures. The negative networth stood at Rs 3.41 crore as on 31 March, 2017 as compared to negative Rs. 2.10 crore as on 31 March, 2016. The debt equity stood negative at 2.63 in FY2017 times as compared to negative 4.18 in the previous year. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood negative at 0.20 times while Debt Service Coverage (DSCR) stood negative at 0.28 times as on March 31, 2017. The Interest Coverage Ratio stood negative at 0.78 times in FY2017.

- **Small scale of operations**

The scale of operations of the company are at relatively small levels with total operating income of Rs.15.46 crore in FY 2017 compared to Rs.15.63 crore in FY 2016.

- **Low margins**

The operating margins deteriorated from 2.59 per cent in FY2016 to (5.19) per cent in FY2017. The EBITDA stood at Rs. 0.80 crore. The operating losses are on account of increased employee costs, power and fuel and very high other manufacturing expenses. The net profit margin continues to be negative at 13.25 per cent in FY2017 compared to 3.98 per cent in FY2016. This is on account of high interest costs and depreciation.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Korangani Tea Company Private Limited (KTCPL).

Outlook: Stable

SMERA believes that KTCPL will continue to benefit over the medium term from its long track record of operations. The outlook may be revised to 'Positive' in case the firm increases its scale of operations and registers a 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 in case of deterioration in the company's capital structure on account of higher-than-expected working capital requirements.

About the Rated Entities- Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	15.46	15.63	14.94
EBITDA	Rs. Cr.	(0.80)	0.40	0.10
PAT	Rs. Cr.	(2.05)	(0.62)	(1.34)
EBITDA Margin	(%)	(5.19)	2.59	0.69
PAT Margin	(%)	(13.25)	(3.98)	(8.99)
ROCE	(%)	(17.01)	7.06	(5.74)
Total Debt/Tangible Net Worth	Times	(2.63)	(4.18)	(5.30)
PBDIT/Interest	Times	(0.78)	0.66	0.15
Total Debt/PBDIT	Times	-11.48	12.38	59.37
Gross Current Assets (Days)	Days	126	115	124

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing entities- <https://www.smera.in/criteria-services.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>

Status of non-cooperation with previous CRA (if applicable):None

Rating History for the last three years:

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14th Mar 17	Tea Hypothecation	Long Term	5.50	SMERA B-/Stable (Reaffirmed)
	Cash Credit	Long Term	0.14	SMERA B-/Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.00	SMERA B-/Stable (Reaffirmed)
	Term Loan	Long Term	0.15	SMERA B-/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.59	SMERA B-/Stable (Assigned)
15th Dec 15	Tea Hypothecation	Long Term	5.94	SMERA B-/Stable (Assigned)
	Cash Credit	Long Term	0.26	SMERA B-/Stable (Assigned)
	Working Capital Term Loan	Long Term	3.00	SMERA B-/Stable (Assigned)
	Term Loan	Long Term	0.18	SMERA B-/Stable (Assigned)

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	CouponRate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Tea Hypothecation	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA B-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.14	SMERA B-/Stable (Reaffirmed)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.15	SMERA B-/Stable (Reaffirmed)

Proposed	Not Applicable	Not Applicable	Not Applicable	0.59	SMERA B-/Stable (Reaffirmed)
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