

**February 18, 2016**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	18.00	SMERA BB+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the above mentioned bank facilities of Duncans Tea Limited (DTL). The outlook is '**Stable**'. The rating is supported by the experienced management, long track record of operations and pan India presence. The rating also draws support from the reputed customer base, established brand name and average financial risk profile. However, the rating is constrained by the working capital intensive nature of business, agro climatic risk and susceptibility of profitability to volatility in raw material prices.

**Outlook: Stable**

SMERA believes the outlook on DTL will remain stable over the medium term backed by its experienced management, average financial risk profile and long track record of operation. The outlook may be revised to 'Positive' in case the company registers significant increment in revenue while improving the capital structure. The outlook may be revised to 'Negative' if the company registers deterioration in the financial risk profile and stretched working capital cycle.

**Rating Sensitivity Factors**

- Increase in scale of operations and improvement in profitability
- Efficient working capital management and improvement in the capital structure

**About the Company**

DTL, part of the Duncans Group, was incorporated in 1979. A Kolkata-based company, DTL is engaged in the blending, packaging and marketing of tea through its distribution network spread across India. The company is an oldest player in the packet tea market and is known for its brands such as Double Diamond, Sargam, Shakti, No.1, Runglee Rungliot among others. The manufacturing facilities are located at Kanpur, Nagpur, Faridabad and Kolkata and the overall operations of the company are managed by Mr. Shrivardhan Goenka, Director.

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DTL reported profit after tax (PAT) of Rs.3.99 crore on operating income of Rs.199.52 crore for FY2014–15, as compared with PAT of Rs.0.95 crore on operating income of Rs.200.53 crore in FY2013–14.

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