

Press Release
Soongachi Tea Industries Private Limited

11 July, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 13.16 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has re-affirmed long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 13.16 crore bank facilities of Soongachi Tea Industries Private Limited (STIPL).

Incorporated in 1970- STIPL is engaged in manufacturing and blending of tea. STIPL owns a tea estate in Dooars region of West Bengal with ~ 3,500 acres of gross plantation area of which 1,550 acres are under tea. The company in addition to own plantation procures green leaves from other estate in the vicinity and made tea from auction centers for blending. The company has an annual installed capacity to produce of 40 lacs kg of black tea. Currently, the operations are managed by Mr. Ghanshyam Das Agarwal, Mr. S K Saria and Mr. B K Saria.

Key Rating Drivers

Strengths

Experience management and long track record of operation

Incorporated in 1970 STIPL has a long track record of nearly five decades in the tea industry. The company was promoted by late Mr. Late Dalchand Saria who has extensive experience in tea industry. Currently the overall operations are being managed by Mr. BK Saria, Mr. Ghanshyam Das Agarwal and Mr. SK Saria. The present directors are well versed in the manufacturing and marketing of tea with experience of more than three decades.

Weaknesses

Modest Scale of operations

The scale of operation is modest marked by revenue of Rs 45.75 crs in FY 2018 (prov) as compare to Rs 42.79 crs in FY 2017.

Working capital intensive operations

The firm's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 150 days in 2017-18 (prov) as against 168 days in 2016-17. These high GCA days are emanates from collection period and inventory holding period of 41 days and 67 days in FY18 (prov) as compare to 34 and 94 days respectively in the previous year. Also working capital intensity is also reflected from the full utilization of the working capital limit of Rs 12.00 cr.

Moderate financial risk profile

Moderate financial risk profile of the company is marked by low net worth, moderate gearing

and debt protection metrics. The net worth of the firm stood at Rs. 7.58 crore as on March 31 2018 (prov) as compare to Rs. 7.40 crore as on March 31 2017. The gearing stood at 1.87 times in FY 2018 (prov) as compare to 2.00 times in FY 2017. The debt protection metrics stood moderate marked by the coverage ratio of 1.67 times for FY2017-18 (prov) as compared to 1.52 times in FY2016-17.

Outlook: Stable

ACUITE believes that STIPL will continue to benefit from the extensive experience of the promoters 'in the tea industry. The outlook may be revised to positive if STIPL reports greater than expected revenues or profitability while improving working capital cycle and financial risk profile. However, the outlook may be revised to negative if the company fails to scale up revenue and profitability or if the financial risk profile further declines owing to higher working capital requirement.

Analytical Approach: ACUITE has considered the standalone business and financial risk profiles of STIPL to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	45.75	42.79	48.05
EBITDA	Rs. Cr.	2.61	2.42	2.89
PAT	Rs. Cr.	0.19	0.01	0.18
EBITDA Margin	(%)	5.70	5.65	6.01
PAT Margin	(%)	0.41	0.02	0.38
ROCE	(%)	9.13	8.16	9.35
Total Debt/Tangible Net Worth	Times	1.87	2.00	1.92
PBDIT/Interest	Times	1.67	1.52	1.73
Total Debt/PBDIT	Times	5.14	5.79	4.81
Gross Current Assets (Days)	Days	150	168	175

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18 th May17	Cash Credit	Long Term	12.04	ACUITE BB-/Stable (Re-affirmed)
	Term Loan	Long Term	0.37	ACUITE BB-/Stable (Re-affirmed)
	Bank Guarantee	Short Term	0.75	ACUITE A4 (Re-affirmed)
28 th May16	Cash Credit	Long Term	12.04	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	0.37	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short Term	0.75	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.04	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.37	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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