

Press Release

Madhuting Tea Private Limited (MTPL)

02 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.5.58 Cr
Long Term Rating	SMERA B+/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.5.58 crore bank facilities of Madhuting Tea Private Limited (MTPL). The outlook is '**Stable**'.

The company, established in 1938, is part of the Dhunseri group and is engaged in the production and selling of tea.

List of key rating drivers and their detailed description

Strengths:

Experienced management: Mr Chandra Kumar Dhanuka, Mr Mrigank Dhanuka, Mrs Tarulika Khaitan the promoters, possess more than three decades of experience in the tea and beverage industry.

Average financial risk profile: The average financial risk profile is marked by low gearing, strong interest coverage ratio and high Net Cash Accruals to Total Debt (NC/TD). The gearing was 0.10 times in FY2015. As they have not utilised the Tea Hypo facility in the last few months in FY2016, the year-end balance of total debt is zero. The interest coverage is high at 22.70 times in FY2016 compared to 17.49 times in FY2015. The net worth has increased to Rs.29.09 crore in FY2016 from Rs.25.11 crore in FY2015.

SMERA also derives comfort from the fact that there are no long term debt obligations of the company.

Weaknesses:

Agro climatic risk: Since tea is an agro commodity, the company is exposed to risks related to agro climatic conditions.

Volatility in tea prices: The prices of tea are volatile and are linked to the prices in the international market. Hence, significant price movements may affect MTPLs profitability margins.

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

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the outlook on MTPL will remain stable over the medium term backed by healthy financial risk profile, experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers significant increment in its revenue and improves its profit margins. The outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and stretched working capital cycle.

About the Rated Entity:

MTPL, established in 1938 is a part of the Dhunseri group. The company is engaged in the production and selling of tea. It owns tea gardens in Assam - upper region (area of 650 hectare).

For FY2015-16, MTPL registered Profit After Tax (PAT) of Rs.4.09 crore on operating income of Rs.19.00 crore, as compared with loss of Rs.2.66 crore on operating income of Rs.13.87 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit (Tea Hypo)	LT	5.54	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Proposed	LT	0.04	SMERA B+/Stable (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 (Tea Hypo)	N.A	N.A	N.A	5.54	SMERA B+/Stable (Assigned)
Proposed	N.A	N.A	N.A	0.04	SMERA B+/Stable (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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