

## Press Release

### Madhuting Tea Private Limited (MTPL)

02 February, 2017

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.5.58 Cr
<b>Long Term Rating</b>	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.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.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>

**Contacts:**

<b>Analytical</b>	<b>Rating Desk</b>
Mr. Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Ms Shreya Vaidya, Rating Analyst, Tel: 033-66201217 Email: <a href="mailto:shreya.vaidya@smera.in">shreya.vaidya@smera.in</a>	

**ABOUT SMERA**

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.