Press Release

Madhuting Tea Private Limited

26 April, 2018

Rating Upgraded

Total Bank Facilities Rated*	Rs. 5.58 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

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

The upgrade reflects sustained improvement in the company's financial risk profile coupled with strong liquidity profile.

Incorporated in 1938, MTPL, part of the Dhunseri Group, is promoted by Mrs. Tarulika Khaitan. The company operates via an integrated process of growing, harvesting and selling of tea. MTPL has 650 hectare land under cultivation and a tea processing unit with capacity of 1.5 million kg p.a. in Dibrugarh (Assam). The company produces CTC (Crush, Tear and Curl) and orthodox blends of tea, which it sells in the domestic market through auctions and private sales.

Key Rating Drivers

Strengths

• **Experienced management and long track record of operations**
Incorporated in 1938, MTPL has a long track record of operations of more than eight decades in tea industry. The company's operations are led by Mr. Chandra Kumar Dhanuka and Mr. Mrigank Dhanuka having more than three decades of experience in the tea and beverage industry by virtue of their association with Dhunseri Tea Industries Limited, one of the largest tea producers in India.

• **Strong financial risk profile coupled with comfortable liquidity position**
MPTL exhibits healthy risk profile marked by net worth of Rs.33.26 crore as on March 31, 2017 as compared to Rs.29.09 crore as on March 31, 2016. The company did not have any debt outstanding as on March 31, 2017 and hence, the gearing levels were nil. The short term borrowing of Rs 5.54 crore in the form of tea hypothecation is primarily availed during April-October. As a result, the company exhibits zero debt with robust debt protection metrics reflected by interest coverage of 46 times in FY2017.
The company has registered continuous improvement in liquidity condition reflected by increase in investments and cash balance. The investments stood at Rs.20.01 crore in FY2017 as against Rs.18.94 crore in FY2016 of which nearly 50 percent is liquid in nature. The unencumbered cash balance stood at Rs.1.75 crore as on March 31, 2017.

Weaknesses

• **Risks inherent in the tea industry**
Fluctuations in production due to climatic changes, slower pace of re-plantation and increasing competition in the global tea market, coffee as a substitute to tea and government policies are some of the challenges faced by the tea industry.

• **Decline in operating revenue**

MTPL has witnessed muted growth in operating revenue of Rs.18.38 crore in FY2017 as against Rs.19.00 crore in FY2016. However, the company has registered a significant decline in revenue in FY2018 due to pest infection and heavy rainfall during cultivation period. The company has registered revenue of Rs.16.45 crore in FY2018 (provisional).

Analytical Approach

SMERA has considered the standalone business and financial risk profile of MTPL to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on MTPL will remain 'Stable' over the medium term backed by healthy financial risk profile, comfortable liquidity profile and long track record of operations. The outlook may be revised to 'Positive' in case of significant increment in the revenue and sustainability of the same. The outlook may be revised to 'Negative' in case of further decline in revenues and accruals along with deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	18.38	19.00	13.87
EBITDA	Rs. Cr.	2.68	3.57	0.21
PAT	Rs. Cr.	2.09	4.09	2.66
EBITDA Margin	(%)	14.58	18.77	1.52
PAT Margin	(%)	11.37	21.53	19.15
ROCE	(%)	8.86	18.19	25.51
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.11
PBDIT/Interest	Times	46.04	22.70	17.49
Total Debt/PBDIT	Times	0.00	0.00	0.60
Gross Current Assets (Days)	Days	145	100	47

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
02-Feb-2017	Cash Credit (Tea Hypo)	Long Term	5.54	SMERA B+ / Stable (Assigned)
	Proposed Bank Facility	Long Term	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
Cash Credit (Tea Hypo)	Not Applicable	Not Applicable	Not Applicable	5.54	SMERA BB/stable (Upgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.04	SMERA BB/stable (Upgraded)

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.