

## Press Release

### Madhuting Tea Private Limited

January 07, 2022



### Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Ratings</b> <b>Loan</b>	5.58	ACUITE BB   Reaffirmed & Withdrawn	
<b>Total</b>	5.58	-	-

### Rating Rationale

Acuite has reaffirmed & withdrawn the long term rating of 'ACUITE BB' (read as ACUITE double B) on the Rs.5.58 Cr bank facilities of Madhuting Tea Private Limited( MTPL). The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuite's policy on withdrawal.

### About the Company

Incorporated in 1938, Madhuting Tea Private Limited, part of the Dhunseri Group, is a Kolkata based company engaged in cultivation and tea processing. The company operates via an integrated process of growing, harvesting and sale of tea with processing capacity of 1.3 million kg p.a. in Dibrugarh, Assam. It produces CTC (Crush, Tear and Curl) and Orthodox variety of tea, which it sells in the domestic market through a mix of auctions and private sales. Currently, the company is managed by Mrs Tarulika Khaitan.

### About the Group

Dhunseri Group is a Kolkata based group of companies and has a lot of companies under its umbrella from different industries. The founder of the group is Mr. Shankar Lal Dhanuka. The group started with acquiring of Naga Hills Tea Co. Ltd. in 1961 and currently has Dhunseri Tea and Industries Limited, Dhunseri Investments Limited, Dhunseri Ventures Limited, Dhunseri Polycarbonate Limited, Dhunseri Infrastructure Limited and Dhunseri Petrochem Limited in its basket of group companies along with MADhuting Tea Private Limited.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of MTPL to arrive at his rating.

### Key Rating Drivers

#### Strengths

- Experienced management and long track record of operations

Incorporated in 1938, MTPL has been engaged in processing of tea and hence, has a long track record of operations of more than eight decades in the tea industry. The company's operation is led by Mr Chandra Kumar Dhanuka and Mr Mrigank Dhanuka both of whom possess 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 of tea in India. Acuite believes that APMS shall continue to benefit from the extensive industry experience of its promoters in improving its business risk profile over the medium term.

- **Comfortable Financial risk profile**

The financial risk profile of the company stood comfortable marked by moderate networth, low gearing level and comfortable debt protection metrics. The tangible networth stood at Rs 28.67 crore as on 31st March, 2021 (Provisional) as compared to Rs 23.70 crore in the previous year. The coverage indicators stood comfortable marked by Interest coverage ratio (ICR) which stood at 87.10 times for FY 2021(Prov) compared to 114.89 times for FY 2020. The other coverage indicators stood comfortable due to absence of debt at the end of the year. The financial risk profile is expected to remain at similar levels over the medium term on account of absence of any debt funded capex plan.

## Weaknesses

- **Working capital intensive nature of operations:** The working capital operations of MTPL stood well managed marked by GCA (Gross Current Assets) Days of 86 days in FY 2021(Provisional) as compared to 73 days in FY 2020 similar to 70 days in the previous year in FY 2019. The inventory days stood well managed at 35 days in FY 2021(Provisional) as compared to 33 days in FY 2020 similar with 36 days in the previous year. The debtor days stood well managed at 2 days in FY 2021(Prov) 0 days in FY 2020 as compared to 2 days in FY 2019. Other Current Assets as on 31<sup>st</sup> March, 2021 (Provisional) stood at Rs 1.82 crore. The working capital operations are expected to remain at similar levels over the medium term due to the payment terms with its customers and suppliers.

- **Volatile tea prices and agro climatic conditions**

The prices of tea are linked to the auctioned prices and further to prices of tea in the international market. Significant price movements in the international market may affect the company's profitability margins. Further, tea prices fluctuate widely with demand-supply imbalances in the domestic and international market. Tea is a perishable product and demand for it is relatively priced inelastic as it caters to all segments of society. While demand has a strong growth rate, supply can vary depending on climatic conditions in the major tea growing countries. Unlike other commodities, tea price cycles have no linkage with the general economic cycles, but with agro-climatic conditions.

## Rating Sensitivities

- Sustained profitability
- Improvement in the operating income.

## Material covenants

None

## Liquidity Position: Adequate

MTPL has adequate liquidity marked by moderate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 0.62-5.82 crore in FY 2019-2021 (Provisional) against no maturing debt obligations during the same period.. The working capital operations of the company are well managed marked by GCA (Gross Current Assets) Days of 86 days in FY 2021 (Provisional) similar to 73 days in the previous year. The company maintains unencumbered cash and bank balances of Rs 3.14crore as on March 31, 2021 (Provisional Rs. 1.94 crore as on March 31, 2020. The current ratio stood at 1.31 times as on March 31, 2021( Prov) ,1.14 times as on March 31, 2020. Acuité believes that the liquidity of the company is likely to remain at similar levels over the medium term.

## Outlook: Not Applicable

Not Applicable

### Other Factors affecting Rating

Not Applicable

### About the Rated Entity - Key Financials

#### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	28.67	23.70
PAT	Rs. Cr.	4.64	2.27
PAT Margin	(%)	16.19	9.58
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	87.10	114.89

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

Not Applicable

#### Any other information

Not applicable

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Oct 2020	Cash Credit	Long Term	5.54	ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable)
	Proposed Bank Facility	Long Term	0.04	ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable)
19 Jul 2019	Cash Credit	Long Term	5.54	ACUITE BB-   Stable (Downgraded from ACUITE BB   Stable)
	Proposed Cash Credit	Long Term	0.04	ACUITE BB-   Stable (Downgraded from ACUITE BB   Stable)
26 Apr 2018	Cash Credit	Long Term	5.54	ACUITE BB   Stable (Upgraded from ACUITE B+   Stable)
	Proposed Bank Facility	Long Term	0.04	ACUITE BB   Stable (Upgraded from ACUITE B+   Stable)
02 Feb 2017	Cash Credit	Long Term	5.54	ACUITE B+   Stable (Assigned)
	Proposed Bank Facility	Long Term	0.04	ACUITE B+   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Punjab National Bank	Not Applicable	Cash Credit	31-03-2020	Not Applicable	Not Applicable	5.54	ACUITE BB   Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.04	ACUITE BB   Reaffirmed & Withdrawn

## Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Shubhaditya Sarkar Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:shubhaditya.sarkar@acuite.in">shubhaditya.sarkar@acuite.in</a>	

### About Acuité Ratings & Research

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