

Press Release

10 March, 2017

Coochbehar Tea Co Limited

Rating Assigned

Total Bank Facilities Rated *	Rs. 9.67 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 9.67 crore bank facilities of Coochbehar Tea Co Limited. The outlook is '**Stable**'.

Incorporated in 1992, CTCL was promoted by Mr. Shyam Sunder Agarwal and his son, Mr. Sumit Agarwal. The company is engaged in the cultivation of green tea and blending of black tea by the CTC method. The company owns the Coochbehar Tea Estate at Falakata near Jalpaiguri (West Bengal) with 302 hectares of gross plantation area of which 220 hectares are under tea cultivation. CTCL processes green tea from its own plantation whereas black tea is processed from leaves bought from other tea estates. The company has an annual installed capacity of 14 lakh kg of tea.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The directors have more than two decades of experience in the tea industry. CTPL is engaged in the cultivation and blending of tea since 1992.

- **Stable growth in revenue**

CTCL's revenue has grown at a healthy compounded annual growth rate (CAGR) of ~ 45.36 per cent over the last two years to Rs 17.20 cr in FY2016 from Rs 8.14 crore in FY2014. Also, during the 10 months ended January'17, the company registered revenue of Rs 16.23 cr (provisional). The growth in revenue has been on account of commencement of operations of the CTC tea processing unit (in FY2014-15) and better utilisation of installed capacity. The actual utilisation rose to 77.85 per cent in FY2015-16 from 55.85 per cent in FY2014-15. Till January, 2017 the company utilised ~ 83 per cent of its installed capacity of 14 lakh kg of tea.

- **Moderate financial risk profile**

The moderate financial risk profile is reflected in its low net worth base of Rs 5.18 cr, moderate gearing of 1.26 times, comfortable interest coverage ratio of 2.51 times and adequate debt protection measures marked by DSCR of 1.16 times as on 31st March' 2016.

Weaknesses

• Modest scale of operations

The moderate scale of operations is marked by revenue of Rs.17.20 cr in FY2016 as compared to Rs.14.30 cr in FY2015. For the 10 months ended January 2017, the company registered Rs.16.23 cr (provisional).

• Working capital intensive operations

The operations of CTCL are working capital intensive marked by gross current asset days of 117 in FY2016 as compared to 126 days in FY2015. This is mainly on account of high stock that the company needs to maintain during the lean period in the tea industry from November to March. The inventory days stood at 90 in FY2016.

• Risks inherent in the tea industry

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

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of CTCL.

Outlook: Stable

SMERA believes that CTCL will maintain a stable outlook owing to its operational track record and experienced management. The outlook may be revised to 'Positive' if CTCL registers more than expected revenue while improving profitability and net cash accruals. However, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenue or if the capital structure declines owing to higher working capital requirements.

About the Rated Entity - Key Financials

For FY2016, CTCL reported Profit after Tax (PAT) of Rs.0.39 cr on total operating income of Rs.17.20 cr as compared with PAT of Rs.0.12 cr on total operating income of Rs.14.30 cr in FY2015.

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

CRISIL in its press release dated December 27, 2016 inter alia has stated the following - CRISIL has suspended its ratings on the bank facilities of Coochbehar Tea Company Limited (CTCL). The suspension of ratings is on account of non-cooperation by CTCL with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, CTCL is yet to provide adequate information to enable CRISIL to assess CTCL's ability to service its debt. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information.

Any other information

None

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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	2.94	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	2.73	SMERA BB / Stable

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ABOUT SMERA

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