

Press Release

23 March, 2017

Mohijuli Tea Company Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.11.35 Cr.
Long Term Rating	SMERA BB/ Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 11.35 crore bank facilities of Mohijuli Tea Company Private Limited. The outlook is '**Stable**'.

Mohijuli Tea Company Private Limited (MTCPL) was established in 1991 by Mrs. Rumena Rehman, Mr. Nilufar Rehman and Mr. Atikur Rehman. The company is engaged in the processing of black tea and has installed capacity of 15 lakh kg per annum. The manufacturing facility is located at Guwahati, Assam. The tea estate is spread across 450 hectares.

Key Rating Drivers

Strengths

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

MTCPL has been in existence since 1991. The management possesses experience of over two decades in the tea industry.

- **Above average financial risk profile**

MTCPL's above average financial risk profile is marked by comfortable gearing of 0.97 times, modest interest coverage of 1.68 times and debt service coverage ratio of 1.67 times in FY2016. However, the networth levels stood at around Rs. 5.89 cr as on March 31, 2016.

- **Efficient working capital management**

The company has efficient working capital management marked by comfortable gross current asset days of 39 in FY2016 as against 45 in the previous year. This is supported by debtors and inventory of 04 and 30 days as on March 31, 2016.

Weaknesses

- **Moderate scale of operations**

Despite having commenced business in 1991, the revenue has been moderate at Rs. 22.75 cr in FY2016 against Rs.24.98 cr in FY2015.

- **Volatility in tea prices and agro climatic conditions**

The company is exposed to intense competition in the tea industry and risks related to agro climatic conditions. Additionally, the profit margins are also susceptible to fluctuations in the price of tea.

- **Debt-funded capex plan**

The company plans to expand capacity at a total cost of Rs.4.92 cr by March 2017 to be funded by term loan of Rs. 3.46 cr and the balance through own sources. The bank loan has been sanctioned.

Analytical Approach

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

Outlook: Stable

SMERA believes that MTCPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected revenues or registers deterioration in its financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, MTCPL reported profit after tax (PAT) of Rs 0.70 cr on total operating income of Rs.22.75 cr as compared with PAT of Rs.0.77 cr on total operating income of Rs.24.98 cr in FY2014-15.

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

None

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.72	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2018	1.17	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2023	3.46	SMERA BB / Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Abhishek Dey Rating Analyst Tel: +91 33 6620 1222 abhishek.dey@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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