

Press Release

The Ananda Bag Tea Company Limited (TABTCL)

14 November, 2017

Rating Assigned



Total Bank Facility Rated *	Rs.15.00 Crore
Long Term Rating	SMERA BB+/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.15.00 crore bank facilities of The Ananda Bag Tea Company Limited (TABTCL). The outlook is '**Stable**'.

Incorporated in 1920, The Ananda Bag Tea Company Limited (TABTCL) is engaged in the manufacturing, blending and retailing of tea. The company owns a tea garden- 'Ananda Tea Estate' in Upper Assam and produces around 8 lakh kg of Indian black tea (including CTC and orthodox). Additionally, the company has 100000 sq. ft. of metalised blend floor and packaging units in Kolkata. The company sells its packaged tea under the 'Top Tee Gold', 'Top Tee Premium', 'Ananda Gold', 'Golden Sip' and 'Top Tee Jananta brand names.

List of key rating drivers and their detailed description

Strengths:

Experienced management and long track record of operations - Incorporated in 1920, the company is led by Mr Chokhani and family of Kolkata. The promoters possess extensive experience in the tea industry. Currently, the operations are headed by the third generation of the Chokhani family.

Geographical presence- TABTCL has wide geographical presence in the domestic and export markets. The company primarily sells its tea to a diversified client base including the Indian Army and also through the Public distribution system in Kolkata and Guwahati. The company has a client base in northern and western India and also exports its products to Japan, China, UAE, Vietnam and Iran.

Moderate financial risk profile: The financial risk profile is marked by moderate debt protection metrics, comfortable gearing and moderate net worth. The interest coverage and debt service coverage ratios stood moderate at 1.90 times and 5.00 times in FY2017 compared to 1.66 times and 4.45 times in FY2016. The gearing is low marked by 0.53 times in FY2017 as against 0.45 times in FY2016. The net worth base stands moderate at Rs 11.97 crore in FY2017 as against Rs 11.85 crore in FY2016.

Increase in operating income - The scale of operations increased to ~ Rs 41.30 crore in FY2017 from Rs 26.94 crore in FY2016 thereby registering a healthy growth of 55 per cent in FY2016-17. The rise in operating income is mainly on account of renewal of the order from the Indian army and focus on retail trade. Also during the 1st quarter- June'17, the company booked revenue of Rs 11.98 crore.

Weaknesses:

Volatile margins -TABTCL's margins are volatile marked by EBITDA of (0.70) per cent and 5.33 per cent in FY2017 and FY2016 respectively. The company suffered operating level losses in FY2017 on account of high cost of raw materials and low realisation. During the current year (FY2017-18), SMERA believes that operating margins will improve due to better realisation from the India Army where tea is sold at an average price of ~ Rs 168 per kg as against previous year realisation of ~Rs 154 per kg.

Volatility in tea prices and agro climatic conditions: The company is exposed to fluctuations in the prices of tea in the international market. Further, the demand-supply imbalances and agro climatic conditions have a bearing on the price.

Working capital intensive operations: The operations are working capital intensive reflected in the GCA days of 177 and 218 in FY2017 and FY2016 respectively. The high GCA days can be attributed to the high inventory days that the company needs to maintain during the lean season - November to March. The inventory days stood at 106 in FY2017 as against 94 in FY2016.

Analytical approach- For arriving at the ratings SMERA has considered the standalone financial performance and financial risk profile of TABTCL.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook - Stable

SMERA believes that TABTCL will maintain a Stable outlook and benefit over the medium term owing to its experienced management and healthy financial risk profile. 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 working capital management. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected revenues leading to a fall in margins, or deterioration in the company's financial risk profile.

About the Rated Entity

For FY2017, the company reported Profit after Tax (PAT) of Rs.0.12 crore on total operating income of Rs.41.30 crore compared with PAT of Rs.1.51 crore on total operating income of Rs.26.94 crore in FY2016.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the 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. Crore)	Ratings/ Outlook
Cash Credit	NA	NA	NA	8.20	SMERA BB+/Stable (Assigned)
Packing Credit	NA	NA	NA	0.80	SMERA A4+ (Assigned)
Foreign Bill Discounting	NA	NA	NA	4.00	SMERA A4+ (Assigned)
Letter of Credit	NA	NA	NA	2.00	SMERA A4+ (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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