

Press Release

Newby Teas Overseas Private Limited



06 January, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4+**' (**read as SMERA A4 plus**) to the above mentioned bank facilities of Newby Teas Overseas Private Limited.

The West Bengal-based Newby Teas Overseas Private Limited (NTOPL) was established by Mr Nirmal Sethia in 2003. The company is engaged in the blending and marketing of premium tea since 2005 and has an installed capacity of 1,11,751.50 kilograms.

The company sells its products under the 'Newby' brand in India and overseas. The management is supported by a competent second line of executives. NTOPL sources raw materials from Germany, Japan, China, and Sri Lanka and from the tea plantation owned by its sister concern - Suola Tea Estates Pvt. Limited in West Bengal. The products have a shelf life of three years after packing.

Key rating drivers

Strengths

Experienced management

NTOPL commenced operations in 2003. The Directors, Mr. Sethia, Mr. Jain, Mr. Girotra and others possess experience of more than four decades in the tea processing industry.

Average financial risk profile

The financial risk profile is average marked by moderate net worth of Rs.24.05 crore in FY2017 compared to Rs. 16.81 in FY2016. The increase is due to issue of right shares worth Rs 7.00 crore. The gearing stood at 0.26 times in FY2017 as against 0.67 times in FY2016. The Interest Coverage Ratio (ICR) stood at 2.18 times in FY2017 and 0.60 times in FY2016. The improvement is due to the repayment of long term debt. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.25 times in FY2017 compared to -0.03 times in FY2016.

Weaknesses

Working capital intensive operations

The working capital cycle of NTOPL is high and is marked by high Gross Current Assets (GCA) days of 278 in FY2017 and 324 days in FY2016. The GCA days are mainly dominated by inventory days of 248 in FY2017 as against 297 in FY2016. The average packing credit utilisation was ~87.00 per cent during June to November 2017.

Volatility in tea prices and agro climatic conditions

The company is exposed to fluctuations in the prices of tea in the domestic as well as international markets. Besides, tea being an agricultural commodity is exposed to agro climatic risks too.

Concentrated customer base

NTOPL sells its products to Newby Teas U.K Ltd, Geralt LLC, Newby India Pvt. Ltd. and Newby Teas Suisse SA. Among these, Newby Teas U.K Ltd and Geralt LLC account for 78 percent and 13 percent respectively of total sales.

Analytical approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the rating.

About the Rated Entity - Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.32	14.95	19.83
EBITDA	Rs. Cr.	1.68	0.58	3.51
PAT	Rs. Cr.	0.22	(1.70)	0.31
EBITDA Margin	(%)	9.73	3.89	17.68
PAT Margin	(%)	1.28	(11.37)	1.56
ROCE	(%)	1.81	(2.02)	10.85
Total Debt/Tangible Net Worth	Times	0.26	0.67	0.64
PBDIT/Interest	Times	2.18	0.60	2.42
Total Debt/PBDIT	Times	3.65	19.50	3.39
Gross Current Assets (Days)	Days	278	324	305

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>

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

CRISIL Ratings in its press release dated October 31, 2017 inter alia has stated the following: "Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of Newby Teas Overseas Private Limited. This restricts CRISIL's ability to take a forward looking view on the credit quality of the entity. CRISIL believes that the information available for Newby Teas Overseas Private Limited is consistent with 'Scenario 2' outlined in the 'Framework for Assessing Consistency of Information with CRISIL BBB' rating category or lower. Based on the last available information, CRISIL has reaffirmed the rating at 'CRISIL BB/Negative/CRISIL A4+'".

Rating History (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
Packing credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4+
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a

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