Press Release

Quality Tea Plantations Private Limited

November 06, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' **(read as ACUITE BB plus)** and short term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs. 19.00 crore bank facilities of Quality Tea Plantations Private Limited. The outlook is **'Stable'**.

Incorporated in 1989, Quality Tea Plantations Private Limited (QTPPL) is engaged in manufacturing of CTC tea. The company owns a tea garden in Jalpaiguri region of West Bengal spread across 650 hectares of garden area with 450 hectares of plantation area. The company has 15.50 lakh Kg of installed capacity for CTC tea. In addition, the company manufactures tea from purchased leaves. The business is managed by the Dalmia family in Kolkata.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of QTPPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operation and experienced management**
Incorporated in 1989, QTPPL has a long track record of almost three decades in the tea manufacturing business. The company is managed by the Dalmia family members located at Kolkata, who have extensive experience in tea industry. Currently, the operations are headed by Mr. Harischandra Parekh Maneklal, Mr. Balkrishna Dalmia and Mr. Rajat Dalmia.

- **Healthy operating margins**
The operating margins have improved for QTPPL during the period under review (FY2016 to FY2018) marked by 16.05 percent in FY2018 from 13.28 percent in FY2016. The improvement is on account of better realisation in the domestic market.

Weaknesses

- **Modest scale of operations**
The scale of operation is modest with revenue of Rs.27.41 crore in FY2018 as compare Rs.25.98 crore in FY2017. The rise in revenue is on account of increase in the sales in the domestic market. The company has earned around Rs.20.50 crore during April to September 2018 (Provisional).

- **Moderate financial risk profile**
QTPPL's moderate financial risk profile is marked by moderate debt protection metrics, high gearing and modest net worth. The interest coverage and debt service coverage ratios stood moderate at 1.84 times and 1.81 times respectively in FY2018 as compared to 1.77 times and 1.70 times respectively in FY2017. The gearing is high marked by 2.65 times in FY2018 as against 2.71 times in FY2017. This high gearing is mainly due to the unsecured loans from director and corporate bodies which stood at Rs.10.26 crore considered as debt as the same is not subordinated to bank. The other debt component is short term debt of Rs.12.87 crore and long term debt of Rs.2.28 crore. The new worth base of the company stood modest at Rs.9.58 crore in FY2018 as against Rs.8.56 crore in FY2017.

Outlook: Stable

Acuité believes that QTPPL will maintain 'Stable' outlook over the medium term from 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. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected revenues leading to a fall in the margins, or in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	27.41	25.98	27.39
EBITDA	Rs. Cr.	4.40	3.79	3.64
PAT	Rs. Cr.	1.02	0.83	1.19
EBITDA Margin	(%)	16.05	14.58	13.28
PAT Margin	(%)	3.73	3.19	4.33
ROCE	(%)	11.44	11.76	26.76
Total Debt/Tangible Net Worth	Times	2.65	2.71	2.22
PBDIT/Interest	Times	1.84	1.77	2.03
Total Debt/PBDIT	Times	5.03	5.59	4.20
Gross Current Assets (Days)	Days	114	110	110

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm

Note on complexity levels of the rated instrument

https://www.acuite.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	13.81	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.84	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.29	ACUITE BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A4+
Proposed Bank Facility	Not	Not	Not	0.30	ACUITE BB+ /

	Applicable	Applicable	Applicable		Stable

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About Acuité Ratings & Research:
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