

Press Release

Quality Tea Plantations Private Limited (QTPPL)

November 29, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 24.00 Cr. (Enhanced from Rs. 19.00 crore)
Long Term Term Rating	ACUITE BB+/Stable (Reaffirmed)
Short Term Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 24.00 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. Currently, the installed capacity is 25.00 lakh kg per annum which improved from 20 lakh kgs per annum. 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 profile of QTPPL to arrive at the rating.

Key Rating Drivers

Strengths

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

Incorporated in 1989, QTPPL has a long track record of almost three decades in the tea business. The company is managed by the Dalmia family members who have extensive experience in the tea industry. Currently, the operations are headed by Mr. Harischandra Parekh Maneklal, Mr. Balkrishna Dalmia and Mr. Rajat Dalmia. Acuité believes that QTPPL will continue to benefit from its experienced management and long track record of operations.

- **Healthy profitability margin**

The operating margins of QTPPL improved during the period under review (FY17-FY19) to 18.63 percent in FY19 from 16.05 percent in FY18 and 14.58 percent in FY17 on account of decrease in other manufacturing costs in the same period. Moreover, the net profitability improved to 4.96 percent in FY19 as compared to 3.73 percent in FY18. The profitability of the company is expected to remain sustained over the medium term on account of improvement in efficiency of the machinery and, decreasing its other manufacturing costs on account of decrease in other manufacturing costs due to improvement in efficiency of the machinery.

Weaknesses

- **Modest scale of operations**

The revenues of the company stood modest at Rs 29.72 crore in FY19 as against Rs 27.41 crore in FY18. Further, the company has achieved revenue of Rs 21.94 for 6 months ended September, 2019 (Provisional). Acuité expects improvement in its scale of operations on account of increase in its capacity from 20 lakh kgs per annum to 25 lakh kgs per annum.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by low networth, high gearing and moderate debt protection metrics. The networth of the company has increased from Rs 9.58 crore in FY 18 to Rs 11.45 crore in FY 19 backed by accretion to reserves. The gearing stood high at 2.44 times in FY 19 as compared to 2.65 times in FY 18. The total debt of Rs 28.00 crore as on 31st March, 2019 includes long term debt of Rs 3.39 crore, unsecured loans of Rs 9.71 crore and short term debt of Rs 14.90

crore. Further, the interest coverage and debt service coverage ratios stood moderate with interest coverage ratio at 1.94 times in FY 19 as against 1.84 times in FY 18 and DSCR (Debt Service Coverage Ratio) at 1.46 times in FY 19 as against 1.81 times in the previous year. The financial risk profile of the company is expected to remain moderate over the medium term.

Rating Sensitivity

- Substantial growth in revenue
- Improvement in working capital management

Material Covenants

None

Liquidity Profile

The liquidity of QTPPL is adequate marked by modest net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs 1.63-2.63 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs 0.60 crore over the same period. The bank limit of the company remains utilized at 88 percent during the 12 months ended October, 2019. The company maintains unencumbered cash and bank balances of Rs 0.12 crore as on 31st March, 2019. The current ratio of the company stands low at 0.41 times as on 31st March, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of steady cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that QTPPL will continue to benefit over the medium term from its long track record of operations and healthy profitability margin. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenues or operating margin or in case of deterioration in company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	29.72	27.41	25.98
EBITDA	Rs. Cr.	5.54	4.40	3.79
PAT	Rs. Cr.	1.47	1.02	0.83
EBITDA Margin	(%)	18.63	16.05	14.58
PAT Margin	(%)	4.96	3.73	3.19
ROCE	(%)	12.47	11.44	11.76
Total Debt/Tangible Net Worth	Times	2.44	2.65	2.71
PBDIT/Interest	Times	1.90	1.84	1.77
Total Debt/PBDIT	Times	4.81	5.03	5.59
Gross Current Assets (Days)	Days	144	114	110

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

India Ratings, vide its press release dated February 11, 2019 had denoted the rating of Quality Tea Plantations Private Limited as 'IND BB-/A4+; ISSUER NOT COOPERATING'

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
06-Nov-2018	Cash Credit	Long Term	13.81	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	0.01	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	1.84	ACUITE BB+/Stable (Assigned)
	Term Loans	Long Term	2.29	ACUITE BB+/Stable (Assigned)
	Bank guarantee/Letter of Guarantee	Short Term	0.75	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	0.30	ACUITE BB+/Stable (Assigned)

***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	18.56 (Enhanced from Rs 13.81 crore)	ACUITE BB+/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.01	ACUITE BB+/Stable (Withdrawn)
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.71 (Reduced from Rs 1.84 crore)	ACUITE BB+/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.29	ACUITE BB+/Stable (Reaffirmed)
Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.69 (Enhanced from Rs. 0.30 crore)	ACUITE BB+/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Pallavi Meher Analyst - Rating Operations Tel: 033-66201215 pallavi.meher@acuite.in	

About Acuite Ratings & Research:

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