

Press Release

Quality Tea Plantations Private Limited

February 25, 2021



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the 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 and processing of tea. The company owns a tea garden situated at Jalpaiguri, West Bengal. The estate, namely Kurti Tea Estate is spread across 625 hectares of garden area with 465 hectares of plantation area. The company is promoted by Mr. Balkrishna Dalmia and Mr. Rajat Dalmia. QTPPL produces black tea, which it sells in the domestic market through a mix of auction and private sales. The company has 25.00 Lacs Kg per annum of installed capacity for CTC tea.

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 more than 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.

- **Geographically diversified revenue profile**

The company has been supplying their products to diverse customer base of the entities located in North and West India, including the states Rajasthan, Punjab and Madhya Pradesh. The company sells about 65 per cent of tea to private players and rest through auctions. Acuité believes QTPPL's diversified geographical presence and established relations with customers will support their revenues growth going forward over the medium term.

Weaknesses

- **Moderate financial risk profile**

The company's moderate financial risk profile is marked by modest net worth, high gearing and moderate debt protection metrics. The net worth of the company increased to Rs.12.24 crores as on March 31, 2020, compared to Rs.11.45 crores on March 31, 2019 backed by accretion to reserves. The company has high gearing at 2.61 times as on March 31, 2020 as against 2.44 times as on March 31, 2019. The debt of Rs.31.96 crores mainly consists of short term debt of Rs.17.58 crores, unsecured loans from directors and body corporates of Rs.10.75 crores, long term debt of Rs.2.64 crores and maturing obligations of Rs.1.00 crores as on March 31, 2020. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio which stood at 1.64 times in FY2020 as against 1.90 times in FY2019 and Debt Service Coverage Ratio(DSCR) stood at 1.35 times in FY2020 as against 1.46 times in FY2019. The NCA/TD(Net Cash accruals to total debt)

stood at 0.06 times in FY2020 as compared to 0.09 times in FY2019. Acuité believes that the financial risk profile of the company would improve supported by increase in accruals in the medium term.

- **Working capital intensive operations**

The operations of the company are working capital intensive marked by Gross Current Asset (GCA) days of 123 days in FY2020 as against 120 days in the previous year. The GCA days are dominated mainly on account of high other current assets of Rs.6.35 crores as on March 31,2020 against Rs.5.88 crores as on March 31,2019. The other current assets consist of advances to suppliers of Rs.5.81 crores. However, the debtor days stood comfortable at 3 days in FY 2020 as compared to 6 days in the previous year. The inventory days stood at 41 days in FY2020 as compared to 53 days in FY2019. Acuité believes that the operations would remain working capital intensive mainly due to high amount of other current assets in the medium term.

Rating Sensitivity

- Improvement in working capital management
- Substantial improvement in financial risk profile mainly in the gearing levels

Material Covenants

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by cash accruals of Rs.1.96 crores in FY2020 against debt repayments of Rs.1.00 crores during the same financial year. The net cash accruals are expected to be ranging from Rs.2.44 crores to Rs.3.57 crores during FY21-23 against its maturing debt obligations of around Rs.0.98-1.20 crore over the same period. The unencumbered cash and bank balances stood at Rs.0.69 crores as on March 31, 2020 against Rs.0.12 crores as on March 31, 2019. The current ratio stood below unity 0.37 times as on March 31,2020 as compared to 0.41 times as on March 31, 2019 due to inherent nature of the industry. The bank limit remains utilized at 78 percent over eight months ended on December, 2020. The company has not availed any loan moratorium but has availed a COVID loan of Rs. 5.45 crores. Acuité believes that the liquidity of the company will remain at similar levels, supported by increase in accruals in the medium term.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term on account of the extensive experience of the promoters and established geographical presence. The outlook may be revised to 'Positive' if the company achieves substantial improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or financial risk profile leading to deterioration in liquidity.

About the Rated Entity - Key Financials

	Unit	FY20(Actual)	FY19(Actual)
Operating Income	Rs. Cr.	29.04	29.72
PAT	Rs. Cr.	0.79	1.47
PAT Margin	(%)	2.71	4.96
Total Debt/Tangible Net Worth	Times	2.61	2.44
PBDIT/Interest	Times	1.64	1.90

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

- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition -<https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
29-Nov-2019	Cash Credit	Long Term	18.56	ACUITE BB+/Stable (Reaffirmed)
	Term loan	Long Term	1.71	ACUITE BB+/Stable (Reaffirmed)
	Term loan	Long Term	1.01	ACUITE BB+ (Withdrawn)
	Term loan	Long Term	2.29	ACUITE BB+/Stable (Reaffirmed)
	Proposed bank facility	Long Term	0.69	ACUITE BB+/Stable (Reaffirmed)
	Bank guarantee	Short Term	0.75	ACUITE A4+ (Reaffirmed)
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	ACUITE BB+/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.71	ACUITE BB+/Stable (Reaffirmed)
Term Loan	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	ACUITE BB+/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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