

Press Release

Kalinagar Tea And Agro Co. Private Limited

D-U-N-S® Number: 873633699



December 17, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 11.22 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 minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 11.22 crore bank facilities of Kalinagar Tea And Agro Co. Private Limited. The outlook is '**Stable**'.

Incorporated in 2014- KTAC is a West Bengal based company engaged in in processing of tea with an annual installed capacity of 35 lakh kg. The company procures tea leaves from other gardens and processes the same in its unit located at Kalinagar, West Bengal. The company is promoted by the Agarwal family and currently the day to day affairs is managed by Mr. Shambhu Kumar Agarwal.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The Agarwal family has extensive experience of more than three decades in the tea industry. One of the directors, Mr. Shambhu Kumar Agarwal was initially engaged in tea trading business and has an experience of more than three decades in the industry.

- **Proximity to raw materials**

The manufacturing facility is located at Siliguri (North Bengal) which offers proximity to raw materials since the region has ample tea production in and around the place. Further, a large number of tea estates are located in Siliguri, Jalpaiguri, Darjeeling and other surrounding areas which lead to procurement of major raw materials at a lower transportation cost. The company mainly procures green tea leaves from tea leaf brokers locally.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile is moderate marked by modest capital structure and moderate debt protection measures. The adjusted net worth stood low at Rs.5.73 crore as on 31 March, 2018 as compared to Rs.5.23 crore as on 31 March, 2017. The debt-equity ratio stood at 1.51 times in FY2018 as compared to 1.44 times in FY2017. Total debt of Rs.8.64 crore consist of Rs.2.71 crore of long term debt, current portion of long term debt obligation (CPLTD) of Rs.1.25 crore and Rs.4.42 crore of short term borrowing and Rs.0.26 crore of unsecured loans from Directors and related parties. Interest Coverage Ratio (ICR) improved to 3.13 times in FY2018 as compared to 2.48 times in FY2017. Moreover, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.21 times as on March 31, 2018. TOL/TNW stood at 1.74 times as on March 31, 2018 as against 1.69 times in the previous year.

- **Dip in operating margins**

The operating margins declined to 11.51 percent in FY2018 from 15.72 percent in FY2017 and 15.32 percent in FY2016 on account of increasing raw material cost. Also, the firm reported Profit after Tax (PAT) margin of 1.89 percent in FY2018 against 1.08 percent in FY2017.

• **Risks inherent in the tea industry**

Fluctuations in production due to climatic changes, slower pace of re-plantation, and increasing competition in the global tea market, coffee as a substitute to tea and government policies are some of the challenges faced by the tea industry.

Outlook: Stable

Acuité believes that KTAC will maintain 'Stable' outlook over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers growth in revenues while improving its profitability metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower revenue and profitability, or in case of deterioration in the company's financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	24.52	15.74	11.21
EBITDA	Rs. Cr.	2.82	2.47	1.72
PAT	Rs. Cr.	0.46	0.17	(0.29)
EBITDA Margin (%)		11.51	15.72	15.32
PAT Margin (%)		1.89	1.08	(2.57)
ROCE (%)		10.99	9.59	5.39
Total Debt/Tangible Net Worth	Times	1.51	1.44	2.17
PBDIT/Interest	Times	3.13	2.48	1.95
Total Debt/PBDIT	Times	3.00	2.97	4.75
Gross Current Assets (Days)	Days	101	111	120

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
Term loans	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE A4
Proposed long term	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.02	ACUITE BB- / Stable

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: 022-67141160 rating.desk@acuite.in
Debalina Maity Analyst - Rating Operations Tel: 033-66201212 debalina.maity@acuiteratings.in	

About Acuité Ratings & Research:

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