

April 15, 2016

Facilities	Amount (Rs. Crore)	Rating
Export Packing Credit	15.50*	SMERA A4+ (Upgraded from SMERA A4)
IDUBD (Bill Discounting)	2.00	SMERA A4+ (Upgraded from SMERA A4)
Fund Based Facility (Proposed)	2.50	SMERA A4+ (Upgraded from SMERA A4)

\*Includes sublimit of cash credit and export bill discounting maximum of Rs.15.00 crore and Rs.12.00 crore respectively.

SMERA has upgraded the rating of the abovementioned bank facilities of Hindustan Tea Exporters (HTE) to '**SMERA A4+** (read as SMERA A four plus)' from 'SMERA A4' (read as SMERA A four). The rating upgrade reflects improvement in the firm's financial risk profile and liquidity position.

The rating draws comfort from the firm's long track record of operations and experienced management. However, the rating is constrained by the working capital intensive business and small scale of operations in a highly competitive segment of the tea industry.

### Update

HTE has registered improvement in financial risk profile marked by improvement in gearing (debt to equity) from 1.20 times in FY2014-15 to 0.69 times in FY2015-16 (provisional financials) due to increase in net worth. The interest coverage ratio (ICR) remains moderate at 1.34 times in FY2015-16 as against 1.29 times in FY2014-15. The bank limit utilisation remains comfortable at ~68 per cent in the last six months ended March 2016.

### Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Efficient working capital management
- Deterioration in the capital structure

### About the Firm

HTE, established in 1976, is a Kolkata-based partnership firm engaged in trading and export of tea. The firm is headed by Mr. Ali Abbas Shirazi, Mr. Harkisan Shah, and Mr. Prafull Shah, Partners, with over four decades of experience in the tea industry.

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HTE reported net profit after tax (PAT) of Rs.0.48 crore on total income of Rs.36.16 crore in FY2014–15, as compared with PAT of Rs.0.56 crore on total income of Rs.36.59 crore in FY2013–14. For FY2015-16 (provisional), the firm has registered total income of Rs.29.30 crore.

The tangible net worth of the firm stands at Rs.7.56 crore in FY2015-16 (provisional) as against Rs.6.98 crore in FY2014-15. In FY2015-16 (provisional), the unsecured loans (quasi equity) from promoters were Rs.4.02 crore as against Rs.3.92 crore in FY2014-15.

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