

## Press Release

### Hindustan Tea Exporters (HTE)

25 September, 2017



### Rating Reaffirmed

<b>Total Bank Facilities Rated *</b>	Rs 20.00 Crore
<b>Short Term Rating</b>	SMERA A4+ (Reaffirmed)

\*Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed the short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs 20.00crore bank facilities of Hindustan Tea Exporters (HTE)

Hindustan Tea Exporters (HTE) is a Kolkata-based partnership firm engaged in the trading and export of tea. The firm is headed by Mr. Ali Abbas Shirazi, Mr. Harkisan Shah and Mr. Prafull Shah who possess over four decades of experience in the tea industry.

### List of key rating drivers and their detailed description

#### Strengths:

**Experienced management and long track record of operations-** Incorporated in 1976, Hindustan Tea Exporters (HTE) has a track record of over four decades in the tea trading business. The partners, Mr. Ali Abbas Shirazi, Mr. Harkisan Shah and Mr. Prafull Shah are engaged in the business since inception.

**Long standing relations with customers:** HTE has long standing relations with domestic as well as overseas customers. The firm caters to reputed brands including Duncans Tea Limited (Rated SMERA BB+/Stable) and Hindustan Unilever Limited while in the export market, the firm caters to some of the reputed companies like M/s Golchin Taylae & Co., Hosssain Evazi to name a few in Iran since its inception in 1976.

**Improvement in operating income:** The revenue increased to Rs.65.24 crore in FY2017 (Provisional) from Rs 29.32 crore in FY2016 on account of rise in demand.

**Comfortable liquidity:** The liquidity profile stood comfortable with undrawn bank lines as reflected in the average utilisation of 16 per cent of working capital limit during the last six months ended June '17.

#### Weaknesses:

**Moderate financial risk profile:** The moderate financial risk profile is reflected in the moderate net worth base, high gearing and moderate debt protection metrics. The net worth stood at Rs 8.27 crore in FY2017 (Provisional) compared to Rs. 7.43 crore in FY2016. The gearing stood high at 1.81 times in FY2017 (Provisional) compared to 1.02 times in FY2016. The interest coverage ratio declined marginally to 1.46 times in FY2017 (Provisional) as against 1.60 times in FY2016. To arrive at the net worth, SMERA has considered the Rs 4 crore of unsecured loan as quasi equity based on the undertaking received from the management. Also the same is subordinated to the bank.

**Low profit margins:** The low margins reflect the trading nature of business. During FY2017, the operating margins fell to 2.90 per cent in FY2017 (Provisional) compared to 3.84 per cent in FY2016 mainly on account of pricing pressure from customers in Iran. The net profit margins also fell in line with operating margins to 1.22 per cent in FY2017 (Provisional) compared to 1.97 per cent in FY2016.

**Stiff competition from other players in the tea industry:** The firm operates in the highly fragmented tea industry and faces stiff competition from others players.

**Analytical approach-** SMERA has considered the standalone business and financial risk profiles of HTE.

#### Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

#### About the Rated Entity Financials

For FY2017 (Provisional), HTE reported Profit after Tax (PAT) of Rs.0.80 crore on total operating income of Rs.65.24 crore compared with PAT of Rs.58 crore on total operating income of Rs.29.32 crore in FY2016.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

#### Rating History for the last three years:

Date	Name of Instruments/ Facilities	Term	Amount (Rs Crore)	Ratings/Outlook
15 April, 2016	Packing Credit	Short Term	15.50	SMERA A4+ (Upgraded)
	Bill Discounting	Short Term	2.00	SMERA A4+ (Upgraded)
	Fund Based Facility (Proposed)	Short Term	2.50	SMERA A4+ (Upgraded)
11 Feb, 2015	Packing Credit	Short Term	20.00	SMERA A4 (Reaffirmed)
9 Jan, 2014	Packing Credit	Short Term	20.00	SMERA A4 (Assigned)

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Export Packing Credit	NA	NA	NA	14.00	SMERA A4+ (Reaffirmed)
Proposed	NA	NA	NA	6.00	SMERA A4+ (Reaffirmed)

**Note on complexity levels of the rated instrument:** <https://www.smerra.in/criteria-complexity-levels.htm>

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### ABOUT SMERA

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