Parmeshwari Tea Company
February 18, 2021

Rating

Facilities / Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	5.55	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Facilities	5.55 (Rs. Five Crore and Fifty-Five Lakhs Only)		

Details of instruments/facilities in Annexure-I

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Parmeshwari Tea Company (PTC)** to monitor the rating vide e-mail communications/letters dated October 16, 2020, November 05, 2020, January 07, 2021, February 02 2021and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, PTC has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on PTC's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING.**

Detailed Rationale & Key Rating Drivers

Key Rating Weaknesses

Partnership nature of constitution

PTC, being a partnership firm, is exposed to inherent risk of partner's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the partners. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partner would be the key factors affecting credit decision for the lenders.

Small scale of operation with moderate profitability margin

PTC continues to be a small player in tea industry having total operating income and PAT of Rs.29.29 crore and Rs.0.98 crore, respectively, in FY19. TOI has improved by 11.83% during FY19 over FY18 on account of better capacity utilization during FY19. The net worth was also small at Rs.3.93 crore as on March 31, 2019. The profitability margins remained moderate marked by PBILDT margin and PAT margin at 9.89% and 2.71%, respectively, during FY19. Further, the entity has booked revenue of Rs.29.10 crore with a PBILDT and PAT level of Rs.4.20 crore and Rs.1.85 Crore and a GCA of Rs.2.60 crore during 10MFY20.

Susceptible to vagaries of nature

Tea production, besides being cyclical, is susceptible to vagaries of nature. PTC has its manufacturing facilities in Karbi Anglong district of Assam, the largest tea producing state in India. However, the region has sometimes witnessed erratic weather conditions in the past. Though demand for tea is expected to have a stable growth rate, supply can vary depending on climatic conditions in the major tea growing areas. Therefore adverse natural events have negative bearing on the productivity of tea gardens in the region and accordingly PTC is exposed to vagaries of nature.

Volatility in tea price

The prices of tea are linked to the auctioned prices, which in turn, are linked to prices of tea in the international market. Hence, significant price movement in the international tea market affects PTC's profitability margins. Further, tea prices fluctuate widely with demand-supply imbalances arising out of both domestic and international scenarios. Tea is perishable product and demand is relatively price inelastic, as it caters to all segments of the society. While demand has a strong growth rate, supply can vary depending on climatic conditions in the major tea growing countries. Unlike other commodities, tea price cycles have no linkage with the general economic cycles, but with agro-climatic conditions.

Lack of backward integration for its raw material

PTC purchases green leaves from the small and local gardens in the nearby area and has its own manufacturing unit having a tea producing capacity of about 25 lakhs kg per annum enabling the firm to supply black tea, as per the demand scenario. As the green leaves are procured fully from nearby gardens in the area, PTC depend on external raw material suppliers and resultantly the pressure on margin due to higher raw material cost.

High competition

While the tea industry is an organised agro-industry, it is highly fragmented in India with presence of many small, mid-sized and large players. There are about 1000 of tea brands in India, of which 90% of the brands are represented by regional players

---

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

while the balance of the 10% is dominated by Tata Tea, HUL, Wag Bakri Chai, Godrej, Sapat International and others. Since, PTC sells all its produce through auctions and doesn't have any brand; in addition to that growing shift from loose to branded tea, would further intense the competition.

Leveraged capital structure with moderate debt coverage indicators

Overall gearing ratio of the entity, although deteriorated marginally, remained leveraged at 2.27x as on March 31, 2019 vis-à-vis 2.12x as on March 31, 2018. Deterioration in capital structure due to withdrawal of capital by partners along with availment of new term loan and unsecured loan from promoters during FY19. The debt coverage indicators represented by total debt to GCA deteriorated marginally in FY19 over FY18 and continues to remain moderate at 5.42x as on March 31, 2019. The same has deteriorated mainly on account of higher debt levels as on accounts closing date. However, the interest coverage ratio improved marginally in FY19 vis-à-vis FY18 with the same remaining satisfactory at 2.75x as on March 31, 2019.

Key Rating Strengths

Long& established track record

PTC has been engaged in processing and sale of tea since 2002. Over the years, PTC has been able to grow by constantly growing in size and increasing the quality of produced tea.

Experienced management

Mr. Ajay Dhandharia and Mrs. Sulochana Dhandharia are the partners of PTC and looks after the overall management of the firm. Both of them have more than 16 years of experience in tea industry and are ably supported by other partners, Mr. Bijoy Kr. Todi and Mrs .NirmalaTodi, having experience long experience in tea industry respectively, along with a team of experienced professionals who have rich experience in same line of business.

Satisfactory capacity utilization with in line recovery rate

Capacity utilization of the tea processing unit of PTC has remained at satisfactory level during FY18 and FY19. Furthermore, the recovery rate remained in line with industry average.

Analytical approach: Standalone

Applicable criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning 'outlook' and 'credit watch
Rating Methodology – Manufacturing Sector
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-financial sector entities

About the Firm

Parmeshwari Tea Company (PTC) was established in 2002 as a partnership entity by Dhandharia family of Golaghat, Assam for cultivating and manufacturing black tea. Over the years, the firm has increased its tea processing capacity, in phases from 5.0 lakhs kg p.a. to 25.0 lakhs kg p.a. of Black Tea. PTC presently owns one manufacturing facility located at Karbi Anglong district of Assam, which processes the green leaves purchased by them from gardens in nearby area. Tea is sold through brokers and auctions.

Brief Financials (Rs. crore)	FY18 (A)	FY19(A)
Total operating income	26.19	29.29
PBILDT	2.94	2.90
PAT	0.71	0.79
Overall gearing (times)	2.12	2.27
Interest coverage (times)	1.80	1.93

A: Audited

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

Any other information: Not Applicable.

Details of Facilities: Annexure-1

Rating History of last three years: Annexure-2

Detailed explanation of covenants of the rated facilities: Annexure-3

Complexity level of various instruments rated for this Entity: Annexure-4

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2021	0.30	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	5.25	CARE B+; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	0.30	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (09-Mar-20)	1)CARE BB-; Stable (31-Dec-18)	1)CARE BB-; Stable (29-Dec-17)
2.	Fund-based - LT-Cash Credit	LT	5.25	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (09-Mar-20)	1)CARE BB-; Stable (31-Dec-18)	1)CARE BB-; Stable (29-Dec-17)

**Issuer did not cooperate; Based on best available information*

Annexure-3: Detailed explanation of covenants of the rated facilities: Not applicable

Annexure 4: Complexity level of various instruments rated for this Entity

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact Us

Media Contact
Name: Mradul Mishra
Tel # +91-22-6837 4424
Email: mradul.mishra@careratings.com

Analyst Contact:
Name: Soumen Das
Contact No.: 033-40581907
Email: soumen.das@careratings.com

Business Development Contact
Name: Lalit Sikaria
Tel # +91-33-4018 1607
Email: lalit.sikaria@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**