

FEBRUARY 19, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF DHUNSERI TEA & INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	131.38 (revised from 65.00)	CARE A+ (Single A plus)	Reaffirmed
Total Bank Facilities	131.38 (Rupees One Hundred Thirty One crore and Thirty Eight lac only)		

Rating Rationale

The aforesaid rating continues to derive strength from long & established track record of the group and experience of the promoters in the tea sector backed by strong management team, satisfactory operational parameters and strong financial risk profile. The ratings however remains constrained by highly labour intensive nature of the industry, susceptibility of the tea business to the vagaries of nature, concentration of all DTIL tea gardens in Assam leading to higher agro-climatic risk and high exposure to group companies.

The ability of the company to increase its sales while maintaining its profit margins and capital structure will remain the key rating sensitivities.

Background

Incorporated in 1916, Dhunseri Petrochem & Tea Ltd. (DPTL) demerged its tea division w.e.f April 1, 2014 resulting in the formation of Dhunseri Tea & Industries Ltd. (DTIL). The IT SEZ Division of DPTL has been reorganized, by its transfer into a newly formed company named Dhunseri Infrastructure Limited (DIL; w.e.f April 1, 2014). As per the Scheme of demerger, DTIL in consideration of the demerger and transfer of the Tea Division from DPTL issued one equity share of Rs.10 each in DTIL to shareholders of DPTL for every 5 equity shares of Rs.10 each held in DPTL. Post-demerger, DPTL has been renamed as Dhunseri Petrochem Ltd. (DPL; rated CARE A-/CARE A2+)

DTIL is engaged in cultivation, manufacture and sale of tea. It has 10 own tea gardens in Assam, of which 6 are located in Upper Assam & 4 in lower Assam having tea manufacturing facilities with an aggregate capacity of 120 lakh kg p.a. It also has 2 tea gardens with manufacturing facilities in Malawi, (through two of its step down subsidiaries) with an aggregate capacity of 94.5 lakh kg p.a. DTIL's packet tea brands namely 'Lal Ghora', 'Kala Ghora' and 'Bahipookri' are sold in Rajasthan where the company has its own packing unit.

Dhunseri Petrochem Ltd., erstwhile Dhunseri Petrochem & Tea Ltd (DPTL), is the flagship company of the Dhunseri group and is engaged in manufacturing of PET resins. It has a PET resin manufacturing capacity of 4,10,000 TPA at Haldia, West Bengal. In 2014, it has also set-up a PET resin manufacturing facility in Egypt (through its subsidiary Egyptian Indian Polyester Company S.A.E. (EIPC)) with a capacity of 4,20,000 TPA.

In FY15 (refers to the period April 1 to March 31), DTIL earned a PAT of Rs.17.57 crore (Rs13.32 crore as per unaudited FY14 results) on total operating income of Rs.164.22 crore (Rs.169.62 crore as per unaudited FY14). In 9MFY16, the company earned a PAT of Rs.33.51 crore on total operating income of Rs.141.35 crore.

Analyst Contact

Name: Mr. Ayush Poddar

Tel: 033-4018 1637

Cell: + 91 983113973

Email: ayush.poddar@careratings.com

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Mehul Pandya

 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

JAIPUR

Mr. Rakesh Jayaraman

 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.

Cell: +91 - 76655 96136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

BENGALURU

Mr. Dinesh Sharma

 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

KOLKATA

Ms. Priti Agarwal

 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Sajan Goyal

 2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

NEW DELHI

Ms. Swati Agrawal

 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar

 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

PUNE

Mr. Rahul Patni

 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

COIMBATORE

Mr. V Pradeep Kumar

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Saikat Roy

 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com