

OCTOBER 09, 2015

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

### Ratings

| Facilities                   | Amount<br>(Rs. crore)                          | Ratings <sup>1</sup>               | Remarks           |
|------------------------------|--|------------------------------------|-------------------|
| Long-term Bank Facilities    | 65.0   | <b>CARE A+<br/>(Single A plus)</b> | <b>Reaffirmed</b> |
| <b>Total Bank Facilities</b> | <b>65.0<br/>(Rupees Sixty Five crore only)</b> |                                    |                   |

### 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 reorganised, 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 A1)

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 (Rs 13.32 crore as per unaudited FY14 results) on total operating income of Rs.164.22 crore (Rs.169.62 crore as per unaudited FY14). In Q1FY16, the company earned a PAT of Rs.3.58 crore on total operating income of Rs.28.0 crore.

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://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.

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