

OCTOBER 17, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO DHUNSERI TEA & INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities – Cash Credit	67.00 (enhanced from 65.00)	CARE A+ (Single A Plus)	Reaffirmed
Long term Bank Facilities – Standby Letter of Credit	58.11 (reduced from 66.38)		
Total Facilities	125.11 (Rs. One hundred twenty five crore and eleven lakh only)		

Rating Rationale

The aforesaid rating assigned to Dhunseri Tea & Industries Ltd (DTIL) continues to draw comfort from established & experienced promoters, comfortable capital structure & debt coverage indicators. The rating also factors in satisfactory operating parameters and financial performance in FY16 (refers to the period April 1 to March 31) & Q1FY17. The rating, however, continued to be constrained by labor intensive nature of industry, susceptibility of tea business to the vagaries of nature and geographical concentration of all tea gardens in Assam.

Ability of the company to maintain its scale of operation and profitability margin would remain the key rating sensitivities.

Background

Incorporated in 1916, Dhunseri Petrochem & Tea Ltd demerged its tea division w.e.f April 1, 2014 to Dhunseri Tea & Industries Ltd (DTIL). DTIL is promoted by Kolkata-based Dhanuka family of Dhunseri Group. The company is engaged in growing and cultivation of tea over 10 tea estates in Assam (6 in Upper Assam and 4 in Lower Assam) covering an area of 3,056 hectares. DTIL has a tea processing capacity of 11 million kg p.a. in Assam and blending & packing capacity of 4 million kg p.a. in Jaipur, Rajasthan. The company produces CTC (Crush, Tear and Curl) and Orthodox variety of tea, which it sells in the domestic market through a mix of auctions, private sales and direct retailing. The company sells its packet tea in Rajasthan under the brands namely 'Lal Ghora', 'Kala Ghora', 'Bahipookri' and 'Dhunseri Gold'. The company also operates 2 tea estates in Malawi, South Africa through its wholly owned subsidiary.

In FY16, DTIL reported PAT of Rs.22.22 crore (Rs.17.57 crore in FY15) on operating income of Rs.183.09 crore (Rs.164.22 crore in FY15). In Q1FY17, DTIL reported a PAT of Rs.3.11 crore on total operating income of Rs.33.03 crore.

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****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.

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