

JUNE 23, 2016

CARE ASSIGNS 'CARE BBB-'/' CARE A3' RATINGS TO BANK FACILITIES OF HARRISONS MALAYALAM LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	93.80	CARE BBB- (Triple B Minus)	Assigned
Short term Bank Facilities	14.26	CARE A3 (A Three)	Assigned
Total Facilities	108.06 (Rupees One Hundred Eight crore and Six lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Harrisons Malayalam Ltd (HML) derive strength from the promoters and management experience in the plantations business, the company's standing in the tea and rubber industry; being the single-largest producer of rubber in the country and second-largest producer of tea in South India, accelerated re-plantation exercise in rubber plantations since FY09 (refers to the period April 1 to March 31) expected to support strong volume growth through enhanced yield, secure market for its centrifuged latex as well as established corporate relationship in tea business. The ratings are, however, constrained by cash losses during FY15 and FY16 due to sharp decline in commodity prices, provision for wage arrears and production loss due to strike albeit satisfactory capital structure, the on-going litigation with the Government of Kerala over ownership of the land and ban on tree felling affecting incremental cash flows, exposure to vagaries of nature and global demand-supply dynamics, labour intensive and fragmented nature of the industry.

Turnaround in performance amidst volatile prices of the commodities (tea and rubber), ever increasing labour costs and outcome of the on-going litigation with Government of Kerala over ownership of the land will be the key rating sensitivities going forward.

Background

HML incorporated in 1978, is primarily engaged in the cultivation and manufacturing of tea and natural rubber. The company has 13 tea estates spread across 6021 hectares in the states of Kerala and Tamil Nadu, producing 13,460 MT of Crush Tear and Curl (CTC) and Orthodox Tea. It has 11 rubber plantations spread across 7,306 hectares in Kerala, with a production of 8,850 MT in FY16. The company belongs to the RPG/RP-SG group which has interests in tyres, power, transmission, electricity distribution, retail, IT, pharmaceuticals, etc.

During FY16 (Prov), the company reported net loss of Rs.46.20 crore on a total operating income of Rs.287 crore as against a net loss of Rs.35.26 crore on a total operating income of Rs.327.08 crore during FY15.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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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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CIN - L67190MH1993PLC071691