

FEBRUARY 26, 2016

CARE ASSIGNS 'CARE BB-' RATING TO THE LONG-TERM BANK FACILITIES OF
PARMESHWARI TEA COMPANY
Rating

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	7.70	CARE BB- (Double B Minus)	Assigned
Total	7.70 (Rupees Seven crore and Seventy lakh only)		

Rating Rationale

The rating assigned to the bank facilities of Parmeshwari Tea Company (PTC) are constrained by its small size of operations, susceptible to vagaries of the nature, labour intensive nature of business, volatility in tea price, lack of backward integration for its raw material, high competition & working capital intensive nature of business leading to leveraged capital structure. The ratings also factor in its partnership form of constitution with inherent risk of withdrawal of capital in time of contingency and risk of dissolution on account of poor succession planning.

The aforesaid constraints are partially offset by the long & established track record and experienced management and satisfactory capacity utilisation with in line recovery rate.

The ability of the company to grow its scale of operations, improve its profitability margins and manage its working capital efficiently would be the key rating sensitivities.

Background

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 20.0 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.

During FY15 (refers to the period April 1 to March 31), PTC reported a total operating income of Rs.19.88 crore (as against Rs.18.05 crore in FY14) and a profit of Rs.0.35 crore (as against profit of Rs.0.31 crore in FY14). In 9MFY16, the management has maintained to have achieved a turnover of Rs.22.41 crore.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in 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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