

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

New Leaf Tea Plantation Private Limited

December 26, 2019

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities - Term Loan	7.75	IVR BB+ / Stable Outlook (IVR Double B plus with Stable Outlook)	Reaffirmed
Long Term Bank Facilities – Cash Credit	3.50	IVR BB+ / Stable Outlook (IVR Double B plus with Stable Outlook)	Reaffirmed
Short Term Bank Facilities – Bank Guarantee	0.50	IVR A4+ (IVR A Four plus)	Reaffirmed
Total	11.75		

Details of Facilities are in Annexure 1

Detailed Rationale

The affirmation in ratings derives comfort from its experienced promoters, long track record in the tea industry, synergies derived from the Group companies and locational advantages. Comfortable capital structure and moderate debt protection metrics also support the rating. However, the rating is constrained by fluctuation in raw material prices, small scale of operation, lack of track record of the company, risk associated with tea being agricultural commodity and highly competitive nature of the industry in which the company operates.

Rating Sensitivities

Upward Factor:

- Growth in scale of operations with improvement in profitability
- Manage working capital requirement efficiently

Downward factor:

- Any deterioration in liquidity profile

Detailed Description of Key Rating Drivers

Key Rating Strengths

- Experienced Promoters with long track record in the tea industry

Infomerics Valuation And Rating Pvt. Ltd.

The Siliguri-based MJB Group has been engaged in tea processing for more than a decade. From a modest beginning as small tea trader in 1984, MJB Group is currently enjoying ~1.5% share in Indian Tea Market.

Mr. B.K. Bansal, prime mentor of MJB Group, brings in his decades of business aptitude into the future plans and strategies charted by the Group. He is also a renowned and highly experienced tea taster in North Bengal Region, and has played a key role in the Group's consistent growth and success. The other promoters, Mr. Vikash Bansal and Mr. Gaurav Agarwal are well qualified with relevant expertise and are actively involved in the operations of the Group as a whole.

- **Locational advantage**

The project site is well connected by road and railway. The nearest airport is Bagdogra which is about 36 kms from the site. The plant site is about 5 kms from Sonapur railway station. Further, the site is close to the tea gardens which make it easier for it to procure the tea leaves which are the main raw material in the manufacture of tea. Further being located in Eastern India, the demand for tea is likely to remain strong on account of increase in working population, tea being the common man's beverage, health benefits of consuming tea and Govt.'s focus towards promoting tea consumption.

- **Group synergies**

The group has six tea companies. All six plants are located in the North Bengal Region within 50 km radius. The synergies are obtained from common clientele and the ability of the promoter to allocate common resources as per pressing needs amongst the six companies.

- **Comfortable capital structure and moderate debt protection metrics**

Long term debt equity ratio and overall gearing for the company continues to remain comfortable at 0.91x and 1.04x respectively as on March 31, 2019. The debt protection metrics of the company remains moderate with interest coverage ratio at 2.56x and Total debt / GCA at 8.62 years in FY19.

Key Weaknesses:

- **Lack of track record**

The company commenced operation in April 2018. Thus it has track record of only one year and 9 months. However the group has long track record in the tea business.

- **Small scale of operation**

NLTPPL is a small player in tea processing industry having total operating income and PAT of Rs.18.10 crore and Rs.0.48 crore respectively in FY19. The net worth was also moderate at

Infomerics Valuation And Rating Pvt. Ltd.

Rs.9.56 crore as on March 31, 2019. The moderate scale of operation restricts the financial risk profile of the company limiting its ability to absorb losses or financial exigencies in adverse economic scenario.

- **Risks associated with tea being agricultural commodities**

As tea is an agricultural commodity, the company is exposed to agro-climatic risks. Additionally, the inherent cyclical nature of the fixed-cost intensive tea industry leads to variability in profitability and cash flows of bulk tea producers, such as NLTPPL.

- **Fluctuation in raw material prices**

The key raw material required for manufacturing tea is green leaf. The company does not have any own tea gardens. It procures the tea leaves from the small growers and farmers. The prices of green leaves are volatile in nature and accordingly the profitability is exposed to volatility in raw material prices.

- **Presence in a highly competitive industry**

The tea industry in India is highly fragmented with presence of many established players in the market. The Group has to compete with established brands like Tata Tea, Brooke Bond, Lipton,

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity Position: Adequate: The liquidity profile of the company is expected to remain adequate marked by its expected satisfactory cash accrual of ~Rs.2.50 crore vis a- vis its low debt repayment obligations of ~1.15 crore in FY20. Further, the company has no planned capex or availment of long-term debt and has sufficient gearing headroom due to its comfortable capital structure. Moreover, average cash credit utilisation of the company remained moderate at ~72% during the past 12 months ended October, 2019 indicating a moderate liquidity cushion.

About the Company

New Leaf Tea Plantation Private Limited (NLTPPL) was incorporated in June, 2009 by Siliguri based MJB Group. The company had set up a leaf tea factory in Uttar Dinajpur, West Bengal which commenced operation from April 2018. The group is engaged in tea processing for more than a decade. From a modest beginning as small tea trader in 1984,

Infomerics Valuation And Rating Pvt. Ltd.

MJB Group has now enjoying ~1.5% share in Indian Tea Market with various companies under its fold. The company is primarily looked after by Mr. Vikash Bansal, Mr. Vineet Bansal and Mr. Gaurav Agarwal.

Financials (Standalone):

For the year ended* / As On	(Rs. crore) 31-03-2019
	Audited
Total Operating Income	18.10
EBITDA	1.77
PAT	0.48
Total Debt	9.92
Tangible Net worth	9.56
EBITDA Margin (%)	9.76
PAT Margin (%)	2.65
Overall Gearing Ratio (x)	1.04

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Infomerics Valuation And Rating Pvt. Ltd.

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits - Term Loan	Long Term	7.75	IVR BB+ / Stable Outlook	IVR BB+ / Stable Outlook	-	-
2.	Long Term Fund Based Limits - Cash Credit	Long Term	3.50	IVR BB+ / Stable Outlook	IVR BB+ / Stable Outlook	-	-
3.	Short Term Non Fund Based Limits – Bank Guarantee	Short Term	0.50	IVR A4+	IVR A4+		

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Ms. Nidhi Sukhani Tel: (033) 46022266 Email: nsukhani@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
---	---

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present.

Infomerics Valuation And Rating Pvt. Ltd.

The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs.Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities - Term Loan	-	-	June, 2024	7.75	IVR BB+ /Stable Outlook
Long Term Bank Facilities - Cash Credit	-	-	-	3.50	IVR BB+ /Stable Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	0.50	IVR A4+