

# Infomerics Valuation And Rating Pvt. Ltd.

Press Release

## New Leaf Tea Plantation Private Limited

July 19, 2018

### Rating

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

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The aforesaid rating derives comfort from its experienced promoters, long track record in the tea industry, synergies derived from the Group companies and locational advantages. Moderate gearing and debt protection parameters also support the rating. However, the rating is constrained by fluctuation in raw material prices, lack of track record of the company and highly competitive nature of the industry in which the company operates. Profitability and gearing level are the key rating sensitivities.

### List of Key Rating Drivers

- Experienced Promoters with long track record in the tea industry
- Locational advantage
- Group synergies
- Gearing and debt protection parameters expected to be moderate
- Fluctuation in raw material prices
- Lack of track record of the company
- Presence in a highly competitive industry

### Detailed Description of Key Rating Drivers

#### Key Rating Strengths

**Experienced Promoters with long track record in the tea industry**

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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 has now become the fastest growing business conglomerate in North Bengal Region (NBR), 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 members of the Group, 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 makes it easier for it to procure the tea leaves which is 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.

### **Gearing and debt protection parameters expected to be moderate**

Overall gearing for the company is estimated at 1.21x in FY19. Total debt / GCA is estimated to be moderate at 5.08x in FY19.

### **Key Rating Weaknesses**

#### **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

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of green leaves are volatile in nature and accordingly the profitability is exposed to volatility in raw material prices.

### **Lack of track record of the Company**

The company commenced operation in April 2018. It, thus, does not have demonstrated track record of operations. However, the group has long track record in the tea business.

### **Presence in a highly competitive industry**

The tea industry in India is highly fragmented with presence of many organized and unorganized players in the market. Players have limited pricing flexibility characterized by high pressure on margins due to highly competitive nature of the industry.

### **Analytical Approach & Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **About the Company**

New Leaf Tea Plantation Private Limited was incorporated in June, 2009 by Siliguri based MJB Group. The company had networth of Rs.5 crore in FY17 which was mainly deployed in land and investment in group companies. The company has recently set up a bought leaf tea factory in Uttar Dinajpur, West Bengal which has 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, MJB Group has now become the fastest growing business conglomerate in North Bengal Region (NBR), enjoying 1.5% share in Indian Tea Market. This project entailed setting up a bought leaf tea manufacturing factory at Village: Dhaduagachh Mouza - Bhata, PS- Chopra, Dist: Uttar Dinajpur. The company has received NOC from Tea Board, Kolkata office for setting up a new bought leaf tea factory. The project is completed and production has commenced from April 2018.

**Financials:** Not applicable since the company started commercial operations in April 2018.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Nil

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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits - Term Loan	Long Term	7.75	IVR BB+ / Stable Outlook	-	-	-
2.	Long Term Fund Based Limits - Cash Credit	Long Term	3.50	IVR BB+ / Stable Outlook	-	-	-
3.	Short Term Non Fund Based Limits - Bank Guarantee	Short Term	0.50	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](http://www.infomerics.com).

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### 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.

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### 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+