



Rating Rationale

Ramkrishna Tea Factory

12th October 2017

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹5.03 crore of Ramkrishna Tea Factory

Particulars

Bank Facilities	Type of Facility	Amount rated (₹ in crore)	Tenure	Rating Recommended
Term Loan	Fund Based	2.55	Long Term	BWR B+ (BWR single B Plus) (Outlook: Stable)
Cash Credit		2.30	Long Term	
Bank Guarantee	Non-fund Based	0.18	Short Term	BWR A4 (BWR A Four)
	Total	5.03	(Rupees Five crore and three lakh only)	

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Rating Assigned:

Brickwork Ratings assigns **BWR B+/A4** rating for the Bank Loan facilities of ₹5.03 crores for Ramkrishna Tea Factory

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of the Firm from FY15 to FY17, projected financials of the Firm upto FY19, publicly available information and information/clarifications provided by the management.

The rating assigned to the bank facilities of Ramkrishna Tea Factory is constrained by its relatively small scale of operations, stressed liquidity position, volatility in tea price, high competition and working capital intensive nature of business.

The aforesaid constraints are partially offset by backward integration for its raw material, satisfactory capacity utilization and comfortable debt protection metrics.

Ability to increase its scale of operations with improvement in profit margins, sustain working capital management and improvement in the liquidity position are the key rating sensitivities.



Rating Outlook: Stable

BWR believes that the business risk profile of Ramkrishna Tea Factory will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement and liquidity position improves consistently.. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Detailed Description of the Key Rating drivers

Credit Weaknesses:

- **Small size of operations:** The Total Operating Income has improved from ₹ 4.2 crore in FY16 to ₹ 5.61 crore in FY17 and the same continues to remain low in comparison to its peers.
- **Volatility in Tea price:** The prices of tea are linked to the auctioned prices. Furthermore, tea prices fluctuate widely with demand-supply imbalances.
- **Intense Competition:** While the tea industry is an organized agro-industry, it is highly fragmented in India with presence of many small, mid-sized and large players.
- **Stressed Liquidity Position:** The Current Ratio of 0.73 in FY17 as compared to 0.53 in FY16 has though improved, yet it still reflects the stressed position of liquidity.
- **Thin Margins:** The Net Profit Margin of the firm has been negative in FY15 and FY16. Though it has improved to 7.09% in FY17, yet it remains to be low as compared to its peers.

Credit Strengths:

- **Experience of promoters:** The promoters of the Firm have long experience in business. Five out of the total six partners are actively engaged in this business. They are being duly supported by experienced personnel also.
- **Comfortable Debt protection metrics:** The Firm has comfortable debt protection metrics - Debt Service Coverage Ratio standing at 1.47x and Interest Service Coverage Ratio standing at 2.73x in FY17.
- **Satisfactory Capacity Utilization:** The Capacity utilization of the tea processing unit increased to 67.5% in FY17 as compared to 65% in FY16 and 29.50% in FY15.
- **Backward Integration for Raw Material:** The Firm owns Tea garden having production of 1,50,000 kgs of green leaf annually enabling the Firm to produce and supply tea.
- **Improvement in Sales:** The Sales of the Firm has increased by 34% approximately in FY17 as compared to FY16.



About the Company

Established in 2011, Ramkrishna Tea Factory is a Partnership Firm engaged in manufacturing, processing and re-selling of black tea with installed capacity of 8,50,000 kgs p.a. The Tea Factory was set up in 2013 at Sonapurhat, Uttar Dinajpur (West Bengal). The registered office of the Firm is situated at Vill. & P.O. Sonapurhat, P.S. Chopra and Dist: Uttar Dinajpur (WB). The Firm has its own Tea garden in Kishanganj and Sonapurhat districts of Bihar in Mirjapur (Uttar Dinajpur, WB). The Firm has six partners – Baban Lal Bhagat, Krishna Bhagat, Lalan Kumar Bhagat, Manoj Bhagat, Panchami Bhagat and Sushil Bhagat.

Financial Performance

As per the Audited Financials of FY17, the net profit of the Firm has been reported at ₹0.4 crores as compared to loss of ₹0.56 crores in FY16. The Firm has reported Revenue of ₹5.61 crores in FY17 as compared to ₹4.22 crores in FY16. The Firm's Tangible Networth stands at ₹0.84 crores in FY17.

Rating History for the last three years (including withdrawn/suspended ratings):

Sl. No.	Instrument / Facility	Current Rating (October 2017)			Rating History		
		Type	Amt (₹ in crore)	Rating	2016	2015	2014
1	Term Loan	Long Term	2.55	BWR B+	NA	NA	NA
2	Cash Credit		2.30				
3	Bank Guarantee	Short Term	0.18	BWR A4	NA	NA	NA
Total			5.03 (Five crore and three lakh only)				



Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)

Analytical Contacts	Media
Swapan Chandra Deputy General Manager - Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc.



worth over ₹ 19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

Ramkrishna Tea Factory

Bank Facilities **Annexure I**

Nature of all facilities		(₹ in Crore)
Bank Name	Facilities	Amount to be Rated
United Bank of India	Term Loan	2.55
	Cash Credit	2.30
	Bank Guarantee	0.18
	Total (Rupees Five crores and three lakh only)	5.03



Annexure II
Key Financial Indicators

	FY16(Audited)	FY17(Audited)
Net Sales (₹ in crore)	4.2	5.61
EBIDTA (₹ in crore)	0.52	1.35
PAT (₹ in crore)	-0.56	0.39
Tangible Networth (₹ in crore)	0.16	0.84
Current Ratio (Times)	0.53	0.73