Dhunseri®

Dhunseri Tea & Industries Limited
CIN : L15500WB1997PLC085661
Registered Office : Dhunseri House, 4A, Woodburn Park, Kolkata 700020

October 9, 2020

BSE Limited Phiroze-Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 **Scrip Code: 538902**	National Stock Exchange of India Ltd., Exchange Plaza, C-1, Block G, 5th Floor Bandra Kurla Complex, Bandra (E), Mumbai -400 051 **Symbol: DTIL**

Sub: Credit Rating for Bank Facilities

Dear Sir,

This is to inform you that the Credit Analysis & Research Limited (CARE) has reviewed the following ratings of the Company as detailed below:

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long term Bank Facilities	9.00	CARE A+; Stable (Single A Plus; Outlook:-Stable)	Assigned
	106.69	CARE A+; Stable (Single A Plus; Outlook:-Stable)	Reaffirmed
TOTAL	**115.69**		

Please find enclosed the credit rating report dated October 8, 2020.

Thanking You,

Yours faithfully,
For Dhunseri Tea & Industries Limited

Mahadevan

R.Mahadevan
Company Secretary

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CARE Ratings
Professional Risk Opinion

CARE/KRO/RL/2020-21/1759

Shri Vikash Jain
Chief Financial Officer
Dhunseri Tea & Industries Limited
Dhunseri House,
4A, Woodburn Park
Kolkata - 700 020

October 08, 2020

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY20 (Audited) and Q1FY21 (unaudited), our Rating Committee has reviewed the following rating:-

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	9.00	**CARE A+; Stable (Single A Plus; Outlook:-Stable)**	**Assigned**
Long term Bank Facilities	106.69	**CARE A+; Stable (Single A Plus; Outlook:-Stable)**	**Reaffirmed**
Total	**115.69 (Rs. One hundred fifteen crore and sixty nine lakhs only)**		

2. Refer **Annexure 1** for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by October 08, 2020, we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

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CIN-L67190MH1993PLC071691

monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Vikash Rai.

Vikash Kumar Rai
Analyst
vikashkumar.rai@careratings.com

Abhishek Khemka
Senior Manager
abhishek.khemka@caretings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.
Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve accelerat payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatilit sharp downgrades.

Annexure 1

Details of Rated Facilities

1. Long Term Facilities

1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	Axis Bank Ltd.	6.25	Repayable in 16 equal quarterly installments starting from Quarter ended Dec 18
2.	State Bank of India	1.50	Repayable in 18 equated monthly installments starting from Feb-2021*
	Total	**7.75**	

**Common Covid-19 Emergency Credit Line*

1.B. Fund Based Limits*

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	State Bank of India	16.00	Sanctioned
2.	United Bank of India	16.00	
3.	Punjab National Bank	14.00	
4.	HDFC Bank Ltd.	10.00	
5.	Bank of Baroda	9.00	
6.	ICICI Bank Ltd.	2.00	
	Total	**67.00**	

**Cash Credit*

1.C. Non-Fund Based Limits*

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	IndusInd Bank Ltd.	31.94	Repayable in 18 equal half yearly installments starting from Dec-2017
	Total	**31.94**	

** Standby Letter of Credit*

1.D. Non-Fund Based Limits*

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	State Bank of India	9.00	Sanctioned
	Total	**9.00**	

**Bank Guarantee*

Total Long Term Facilities: Rs.115.69 crore

Total Facilities (1.A+1.B+1.C+1.D): Rs.115.69 crore

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Annexure-2
Press Release

Rating

Facilities	Amount (Rs. crore)	Rating[2]	Rating Action
Long term Bank Facilities	9.00	CARE A+; Stable (Single A Plus; Outlook:-Stable)	Assigned
Long term Bank Facilities	106.69	CARE A+; Stable (Single A Plus; Outlook:-Stable)	Reaffirmed
Total	115.69 (Rs. One hundred fifteen crore and sixty nine lakhs only)		

Details of instrument/facilities in Annexure-1; for classification of instruments/facilities please refer to Annexure-3

Detailed Rationale

The rating assigned to the bank facilities of Dhunseri Tea & Industries Ltd (DTIL) continues to draw strength from the long & established track record of the promoters in the tea sector, satisfactory operational parameters of the domestic and overseas business coupled with satisfactory financial performance in FY20 (refers to the period from April to March) and comfortable capital structure. Further, the rating also takes into account the strong and sustained liquidity profile of the company post hiving of its packet tea brands "LALGHORA' and "KALAGHORA" for an aggregate consideration of Rs.100.7 crore to Tata Global Beverages Limited.

The rating, however remains constrained by labor intensive nature of industry and susceptibility of tea business to agro climatic risks.

Rating Sensitivities

Positive Rating Sensitivities

- Substantial Improvement in the scale of operations on sustained basis
- Improvement in the operating margins beyond 25% on sustained basis

Negative Rating Sensitivities

- Significant deterioration in total operating income below Rs.300 crore and operating margin below 15% on a sustained basis
- Any un-envisaged incremental debt funded capital expenditure deteriorating its capital structure and debt coverage indicators from the current levels

Detailed description of the key rating drivers

Key Rating Strengths

Experience of the promoters with strong management team

Dhunseri group is one of the reputed industrialist groups of Kolkata with Shri C.K. Dhanuka and his son Shri M. Dhanuka, being currently at the helm of affairs of the company. They are ably supported by a strong management team which has rich experience in the Tea industry.

Long & established track record of the group in in the tea sector

Dhunseri group has been carrying on the tea business for over five decades. Despite the tea industry passing through a number of bad phases over the last few decades, the promoters have a successful track record in the tea business. Over the years, DTIL has also been able to grow by increasing the number of tea

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

gardens in its portfolio and producing quality tea. Further, DTIL owns and operates two tea estates namely 'Makandi' and 'Kawalazi' in Malawi, South Africa, having a cumulative tea production capacity of 10 million kg p.a. It also has 0.6 million kg p.a. capacity for Macadamia in Malawi.

Satisfactory operational parameters of the tea division

DTIL has been efficiently carrying out its operations across 10 tea gardens in Assam. Its average tea yield improved to 2,240 kg per hectare in FY20 from 2,006 kg per hectare in FY19 on account of favorable weather condition. Further, the average recovery rate (ranging at around 22.6-22.8% over FY18-FY20) for the company has been in line with the industry average of about 22%. Further, the operational performance of the overseas subsidiaries remained satisfactory with total production of tea at 86.27 lakh Kg in CY19 (95.17 lakh Kg in CY18) followed by increase in the production of macadamia from 4.12 lakh kg in CY18 to 4.37 lakh kg in CY19.

Satisfactory financial performance in FY20 and comfortable capital structure

DTIL's operating income (consolidated) declined, although remained satisfactory, to Rs.302.51 crore in FY20 from Rs.325.88 crore in FY19 mainly due to fall in average sales realization of tea. Accordingly, PBILDT margin (consolidated) moderated from 19.84% (Rs.64.66 Cr.) in FY19 to 6.68% (Rs.20.21 cr.) in FY20 which further aggravated by some one time expenditures. However, PAT increased substantially to Rs.73.20 crore in FY20 from Rs.28.10 cr. in FY19 mainly on account of extraordinary income of Rs.100.7 crore attributable to sale of packet tea brand namely Lal Ghora and Kala Ghora to Tata Global Beverages. Consequently, GCA (consolidated) increased from Rs.52.07 cr. in FY19 to Rs.93.96 crore in FY20.

DTIL's overall gearing remained comfortable at 0.17x as on March 31, 2020 as against 0.13x as on March 31, 2019. Further, TD/GCA improved from 1.84x in FY19 to 1.42x in FY20 mainly on account of increase in GCA level.

Key Rating Weaknesses

Labor intensive nature of industry

The nature of the tea industry makes it highly labour intensive, entailing around 45-50% of total cost of sales. Therefore any steep upward revision in the wages has an adverse impact on the PBILDT margin of bulk tea players. However, labour cost in the African subsidiaries is relatively low, hence an overall impact on the PBILDT margins at the consolidated level would be somewhat moderated.

Agro-climatic risks

DTIL's profitability is highly susceptible to vagaries of nature as all of its tea gardens are concentrated in Assam. Assam being the largest tea producing state in India (~50% of the total tea produced in India) has witnessed erratic weather conditions in the past (drought during October 2008, pest attack in 2010, heavy rainfall in 2012, and delay in monsoon during CY14). This apart, excessive rain in the month of May, June and July 2020 led to the flooding and waterlogging which resulted in the loss of tea plantations in the some part of Assam. DTIL's overseas tea gardens, located in Africa, are also susceptible to vagaries of nature.

Industry Outlook

Covid-19 pandemic induced lockdown in April and May 2020 has adversely impacted tea production, which in turn is expected to support tea realizations. While current tea prices are substantially higher on a year-on year basis, the same may not be an indicator of the likely trend for the full year, with production trends in the high cropping months from July to September are likely to determine the price trajectory, going forward. Nonetheless, prices are expected to remain high compared to the last year. Further, Indian tea industry is essentially a price taker in the international market and hence global supply-demand dynamics have a bearing on the domestic prices. Further, exports play a vital role in maintaining the overall demand-supply balance in the domestic market. Healthy export realisation is also crucial for maintaining domestic realizations as un-remunerative prices in the export market may lead to exporters dumping the produce in the domestic market, which in turn would exert pressure on domestic prices.

Liquidity position: Strong

Strong liquidity is marked by healthy accruals against repayment obligations in FY20, supported by above unity current ratio. Further, the company has cash and cash equivalents of around Rs.99.77 crore (including liquid investment in the form of Mutual Funds/bonds to the tune of Rs.89.63 crore) as on March 31, 2020.

The company had availed the moratorium/deferment on repayment of term debt/ interest payment on Cash Credit limits under RBI's Covid-19 regulatory package.

Going forward, gross cash accruals (GCA) are expected to remain healthy vis-à-vis scheduled debt repayment obligations of ~Rs.13.90 crore in FY21. Further, its unutilized bank lines are adequate to meet its incremental working capital needs over the next one year.

Analytical approach: Consolidated Approach as the subsidiaries have operational linkages and are operating under the common management coupled with exposure/financial support of DTIL in the said subsidiaries. Following subsidiaries have been considered while taking consolidated approach:

Sr.No.	Name of the Companies	% of holding*
1	Dhunseri Petrochem & Tea Pte Ltd. (DPTPL)	100
2	Makandi Tea & Coffee Estates Ltd. (MTCEL)	100
3	Kawalazi Estate Company Ltd. (KECL)	100
4	Dhunseri Mauritius Pte Ltd. (DMPL)	100
5	A.M. Henderson & Sons Ltd. (AMHSL)	100
6	Chiwale Estate Management Services Ltd. (CEMSL)	100
7	Ntimbi Estate Limited (NEL)-acquired on Dec.31, 2020	100

***as on March 31, 2020**

Applicable Criteria

CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Outlook and Credit Watch to Credit Ratings
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities
Rating Methodology- Manufacturing Companies
Complexity Level of Rated Instruments
Factoring Linkages in Ratings

About the Company:

Dhunseri Tea & Industries Ltd (DTIL) is engaged in growing and cultivation of tea over 10 tea estates in Assam (6 in Upper Assam and 4 in Lower Assam) having a cumulative production capacity of 11 million kg p.a. This apart the company has a 4 million kg p.a. blending and packing unit at Jaipur, Rajasthan. DTIL has sold its packet tea brand namely Lal Ghora and Kala Ghora to TGBL. DTIL also has 2 tea estates named 'Makandi' and 'Kawalazi' in Malawi, South Africa [which DTIL has acquired (100% stake) in FY13 through a Singapore based wholly owned subsidiary named 'Dhunseri Petrochem and Tea Pte Ltd. (DPTPL)]. The cumulative production capacity of these two estates is 10 million kg p.a. Besides tea, the Malawi estates also produce macadamia (installed capacity of 0.60 million kg p.a).

Brief Consolidated Financials of DTIL(Rs. in crore)	FY19 (Audited)	FY20 (Audited)
Total Operating Income	325.88	302.51
PBILDT	64.66	20.21
PAT	28.10	73.20

Overall Gearing	0.13	0.17
Interest Coverage	8.89	1.92

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	67.00	CARE A+; Stable
Non-fund-based - LT-Standby Letter of Credit	September 26, 2017	-	-	31.94	CARE A+; Stable
Term Loan-Long Term	-	-	Dec-2022	7.75	CARE A+; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	9.00	CARE A+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	67.00	CARE A+; Stable	-	1)CARE A+; Stable (03-Oct-19)	1)CARE A+; Stable (05-Oct-18)	1)CARE A+; Stable (06-Mar-18) 2)CARE A+; Stable (05-Oct-17)
2.	Non-fund-based - LT-Standby Letter of Credit	LT	31.94	CARE A+; Stable	-	1)CARE A+; Stable (03-Oct-19)	1)CARE A+; Stable (05-Oct-18)	1)CARE A+; Stable (06-Mar-18) 2)CARE A+; Stable (05-Oct-17)
3.	Term Loan-Long Term	LT	7.75	CARE A+; Stable	-	1)CARE A+; Stable (03-Oct-19)	1)CARE A+; Stable (05-Oct-18)	1)CARE A+; Stable (06-Mar-18)
4.	Non-fund-based - LT-Bank Guarantees	LT	9.00	CARE A+; Stable	-	-	-	-

Annexure-3: Complexity

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT-Bank Guarantees	Simple
3.	Non-fund-based - LT-Standby Letter of Credit	Simple
4.	Term Loan-Long Term	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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