



**Dhunseri Tea & Industries Limited**

CIN : L15500WB1997PLC085661

Registered Office : Dhunseri House, 4A, Woodburn Park, Kolkata 700020

Ref. No. DTIL/108/2019/

4<sup>th</sup> October, 2019

BSE Ltd.  
Phiroze-Jeejeebhoy Twers,  
Dalal Street  
Mumbai – 400 001

Scrip Code : 538902

National Stock Exchange of India Ltd.,  
Exchange Plaza, C –1, Block G, 5<sup>th</sup> Floor  
Bandra Kurla Complex,  
Bandra (E),  
Mumbai – 400 051

Scrip Code : DTIL

Dear Sirs,


**CREDIT RATING FOR BANK FACILITIES.**

This is to inform you that the Credit Analysis & Research Limited (CARE) has since reviewed the long term bank facilities of Rs. 112.46 availed by the Company and reaffirmed the credit rating of CARE A+ (Single A plus) to the Company.

Please find enclosed the said credit rating report.

Thanking you,

Yours faithfully,  
for **DHUNSERI TEA & INDUSTRIES LIMITED**

  
**(P C DHANDHANIA)**  
**Chief Executive Officer**

Encl: as above.

Mr. Vikash Jain

CFO

Dhunseri Tea & Industries Ltd.

Dhunseri House,

4A, Woodburn Park

Kolkata - 700 020

September 26, 2019

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your company for FY19 (Audited) and Q1FY20 (Provisional), our Rating Committee has reviewed the following rating:-

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	112.46 (reduced from 124.16)	CARE A+;Stable (Single A Plus; Outlook:- Stable)	Reaffirmed
Total	112.46 (Rs. One Hundred Twelve Crore and Forty Six 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 Oct. 03, 2019 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.

<sup>1</sup> Complete definitions of the ratings assigned by CARE Ratings are available on [www.careratings.com](http://www.careratings.com) and in other CARE publications. (Formerly known as Credit Analysis & Research Limited)

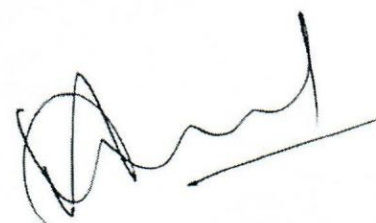
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous 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 aforementioned 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. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.
9. If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

*Vikash Rai*

**Vikash Rai**  
Analyst  
[vikashkumar.raai@careratings.com](mailto:vikashkumar.raai@careratings.com)



**Abhishek Khemka**  
Sr. Manager  
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Encl.: As above

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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 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.

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**Annexure 1**  
**Details of Rated Facilities**

**1. Long-term facilities**

**1.A. Facility 1 (e.g. Secured rupee term loans)**

Sr. No.	Lender	Rated Amount (Rs. Crore)	Remarks	Debt Repayment Terms
1.	Axis Bank	8.12	Sanctioned	Repayable in equal quarterly installments starting from quarter ended Dec'18
<b>Total Facility</b>		<b>8.12</b>		

**1.B. Fund Based limits**

Sr. No.	Name of Bank	Fund Based Limits (Rs. crore)		
		CC*	Others	Total fund-based limits
1	State Bank of India	16.00	-	16.00
2	Punjab National Bank	14.00	-	14.00
3	United Bank of India	16.00	-	16.00
4	Development Credit Bank	9.00	-	9.00
5	Bank of Baroda	9.00	-	9.00
6	ICICI Bank Ltd	2.00	-	2.00
7	HDFC Bank	1.00	-	1.00
<b>TOTAL</b>		<b>67.00</b>		<b>67.00</b>

\*CC=Cash credit

**1.C. Non Fund Based limits – Standby Letter of Credit**

Sr. No.	Name of Bank	Amount (Rs. crore)	Tenure
1.	IndusInd bank	37.34 (USD 5.4180 mn)	Repayable in 18 equal half yearly instalments of Rs.3.58 crore (US\$ 0.539 million)
<b>TOTAL</b>		<b>37.34</b>	

**Total long-term facilities (1.A. + 1.B. +1.C.): Rs.112.46 crore**

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Annexure-2  
Press Release  
Dhunseri Tea & Industries Limited

Rating

Facilities	Amount (Rs. crore)	Rating <sup>2</sup>	Rating Action
Long term Bank Facilities	112.46 (reduced from 124.16)	CARE A+;Stable (Single A Plus; Outlook:- Stable)	Reaffirmed
<b>Total</b>	<b>112.46</b> <b>(Rs. One hundred twelve crore and forty six lakhs only)</b>		

**Detailed Rationale**

The rating assigned to 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 with improvement in the financial performance of DTIL in FY19 (refers to the period from April to March) and comfortable capital structure.

The rating also takes into account the improvement in the liquidity position of the company post selling of its packet tea brands "LALGHORA" and "KALAGHORA" for an aggregate consideration of Rs.101crore to Tata Global Beverages Limited.

Further, the ratings continue to remain constrained by labor intensive nature of industry and susceptibility of tea business to agro climatic risks.

Ability of the company to improve its profitability margin, maintain the current capital structure and any further exposure in its subsidiary companies would remain the key rating sensitivities.

**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 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.

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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### 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 remained satisfactory at 2,006 kg per hectare in FY19. Further, the average recovery rate (ranging at around 22.7-22.9% over FY17-FY19) for the company has been in line with the industry average of about 22%. Further, the operational performance of the overseas subsidiaries also improved with total production of tea to 95.17 lakh Kg in CY18 vis-à-vis 87.04 lakh Kg in CY17 followed by surge in the production of macadamia from 3.03 lakh kg in CY17 to 4.12 lakh kg in CY18.

### Satisfactory financial performance in FY19 and comfortable capital structure

DTIL's operating income (consolidated) witnessed a y-o-y growth of around 9.8% in FY19, attributed to increase in the sales volume (34% y-o-y) of macadamia nuts and tea (~3% y-o-y) coupled with higher realization of macadamia nut (overseas operation). Accordingly, PBILDT margin (consolidated) improved from 18.12% (Rs.53.75 Cr.) in FY18 to 19.84% (Rs.64.66 cr.) in FY19. Further, GCA (consolidated) remained comfortable at Rs.52.07 crore vis-à-vis its long term debt repayment obligation in FY19.

DTIL's overall gearing remained almost in line with FY18 at 0.13x as on March 31, 2019. Further, TD/GCA improved from 2.45x in FY18 to 1.85x in FY19 mainly on account of increase in GCA level coupled with gradual repayment of term debt.

### Strong Liquidity position

Strong liquidity is marked by strong accruals against repayment obligations. Its unutilized bank lines are adequate to meet its incremental working capital needs over the next one year, supported by above unity current ratio. Liquidity position of the DTIL improved and remained comfortable post selling of its packet tea brands "LALGHORA" and "KALAGHORA" for an aggregate consideration of Rs.101crore to Tata Global Beverages Limited (TGBL) in August 2019. A major portion of the same is invested in tax saver bonds.

### 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. Recently, Assam government has decided to notify an interim enhancement of wages of tea plantation workers by a minimum amount of Rs 30 per day with retrospective effect from March 1, 2018, till finalization of the revised minimum wages proposed earlier by the state government. This steep increase is expected to have an adverse impact on the operating cost 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 (~52% of the total tea produced in India) has witnessed erratic weather conditions in the past years (drought during October 2008, pest attack in 2010, heavy rainfall in 2012, and delay in monsoon during

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CY14). This apart, Assam experienced heavy rains during FY18 led to in the flooding and waterlogging. DTIL's overseas tea gardens are located in Africa, which suffered a crop loss in CY17 due to unfavorable weather conditions. However weather conditions in the first few months of the current financial year for both India and Africa have been favorable so far.

**Analytical approach:** Consolidated Approach as the subsidiaries have operational linkages and are operating under the common management. Following subsidiaries have been considered while taking consolidated approach:

1. Dhunseri Petrochem & Tea Pte Ltd. (DPTPL)
2. Makandi Tea & Coffee Estates Ltd. (MTCEL)
3. Kawalazi Estate Company Ltd. (KECL)
4. A.M. Henderson & Sons Ltd. (AMHSL)
5. Chiwale Estate Management Services Ltd. (CEMSL)
6. Dhunseri Mauritius Pte Ltd. (DMPL)

#### **Applicable Criteria**

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Rating Methodology: Factoring Linkages in Ratings

Rating Methodology-Manufacturing Companies

#### **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. Currently, the company sells its packet tea in Rajasthan under the brands namely 'Bahipookri' and 'Dhunseri Gold'. 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)	FY18 (Audited)	FY19 (Audited)
Total Operating Income	296.66	325.88
PBILDT	53.75	64.66
PAT	29.00	28.10
Overall Gearing	0.14	0.13
Interest Coverage	5.97	8.89

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

**Any other information:** Not Applicable.

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

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### 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-Letter of credit	-	-	-	37.34	CARE A+; Stable
Term Loan-Long Term	-	-	Sep-22	8.12	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	67.00	CARE A+; Stable	-	1)CARE A+; Stable (05-Oct-18)	1)CARE A+; Stable (06-Mar-18) 2)CARE A+; Stable (05-Oct-17)	1)CARE A+ (17-Oct-16)
2.	Non-fund-based - LT-Letter of credit	LT	37.34	CARE A+; Stable	-	1)CARE A+; Stable (05-Oct-18)	1)CARE A+; Stable (06-Mar-18) 2)CARE A+; Stable (05-Oct-17)	1)CARE A+ (17-Oct-16)
3.	Term Loan-Long Term	LT	8.12	CARE A+; Stable	-	1)CARE A+; Stable (05-Oct-18)	1)CARE A+; Stable (06-Mar-18)	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

### Contact us

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## Business Development Contact

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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.

#### Disclaimer

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\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)

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