

May 19, 2017

## Limtex Agri Udyog Limited

Instrument*	Amount	Rating Action
Fund-based Limit- Cash Credit	Rs. 25.00 crore	[ICRA]D downgraded from [ICRA]B+
Non -Fund-based Limit- Bank Guarantee	Rs. 0.50 crore	[ICRA]D downgraded from [ICRA]B+
Non Fund-based Limit- Letter of credit	Rs. 8.00 crore	[ICRA]D downgraded from [ICRA]A4

\*Instrument Details are provided in Annexure-1

### Rating action

ICRA has revised downward the long-term rating assigned to the Rs. 25.0-crore<sup>1</sup> cash credit facility and Rs. 0.50 crore bank guarantee facility from [ICRA]B+ (pronounced ICRA B plus) to [ICRA]D (pronounced ICRA D) of Limtex Agri Udyog Limited (LAUL)<sup>2</sup>. ICRA has also revised downward the short-term-rating assigned to the Rs. 8.00-crore letter of credit facility from [ICRA]A4 (pronounced ICRA A four) to [ICRA]D (pronounced ICRA D) of LAUPL.

### Rationale

The downgrade in the ratings primarily considers LAUL's delay in meeting its debt service obligations in a timely manner. The ratings continues to take into account the significant deterioration in the financial risk profile of the Limtex group as a whole, primarily the flagship company Limtex India Limited (rated at [ICRA]D/D), which incurred net cash losses during FY2015 primarily due to increase in tea procurement cost relative to its tea realization. The ratings also factor in the weak operating profitability, adverse capital structure and coverage indicators of LAUL. ICRA further notes that the limited value addition as well as intense competition in the tea trading business limits the scope of margin expansion to a large extent. In addition, the highly working capital intensive nature of operations exerts pressure on the liquidity position of the company. LAUL is also engaged in tea production out of leaves procured from small growers, which increases the risks related to availability, quality and prices of green leaves procured. The ratings, however, also continue to factor in the experience of the promoters in the tea industry.

### Key rating drivers

#### Credit strengths

- Experience of the promoters in the tea industry; diversified group having four tea gardens and seven bought leaf factories coupled with trading operations of tea

#### Credit weaknesses

- Delays observed in timely servicing its debt obligations
- High gearing and weak coverage indicators
- Low profitability on account of limited value addition involved in the tea trading; intense competition in the trading business limits the scope of increase in margin
- Dependence on purchased leaves from the market for its bought leaf operations increases the risk related to the availability and quality of green leaves
- High working capital requirement, leading to pressures on the liquidity position of the company

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

**Description of key rating drivers:**

Lintex Agri Udyog Limited (LAUL) is a part of the Kolkata-based Lintex group, which has interests in tea, biscuits and information technology. LAUL concentrates on the production of CTC variety of tea as well as blending and trading of tea. Apart from production of CTC tea, the company also carries out purchasing of premium quality tea to blend with its lower grade of bought leaf production to enhance the quality of the blended tea. The company's financial profile remains weak with weak profitability, adverse capital structure and weak coverage indicators. The rating action primarily takes into account the delays by LAUL in servicing its debt obligations in a timely manner.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria**

Corporate Credit Rating Methodology

<http://www.icra.in/Files/Articles/Rating%20Meth%20Mar%202017.pdf>

**About the company:**

LAUL was incorporated as a private company in 2003, by Mr. Gopal Poddar. The company owns a bought leaf tea plant and is primarily engaged in manufacturing of CTC variety of tea as well as blending and trading of tea in the domestic market. The factory is located at Bidhan Nagar, Siliguri with a total installed capacity of 30 lakh kgs per annum.

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

**Any other information:** Not Applicable

**Rating History for last three years:**

**Table:**

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated Amount (Rs. Crore)	Current rating			
				May 2017	February 2016	November 2015	December 2014
1	Cash Credit	Long Term	25.00	[ICRA]D	[ICRA]B+	[ICRA]B+	[ICRA]BB+ (Stable)
2	Bank Guarantee	Long Term	0.50	[ICRA]D	[ICRA]B+	[ICRA]B+	[ICRA]BB+ (Stable)
3	Letter of credit	Short Term	8.00	[ICRA]D	[ICRA]A4	[ICRA]A4	[ICRA]A4+

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Instrument Details**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. Cr)</b>	<b>Current Rating and Outlook</b>
Fund based – Cash Credit	-	-	-	25.00	[ICRA]D
Non Fund based – Bank Guarantee	-	-	-	0.50	[ICRA]D
Non-fund based – Letter of Credit	-	-	-	8.00	[ICRA]D

Source: Lintex Agri Udyog Limited

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About ICRA Limited:

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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