

Gujarat Tea Processors & Packers Limited

Instrument	Amount Rated (In Rs Crore)	Rating Action
Fund Based Bank Facilities	90	[ICRA]AA (Stable) re-affirmed
Non Fund Based Bank Facilities*	8	[ICRA]AA (Stable) / [ICRA]A1+ reaffirmed

*interchangeable between long-term and short-term facilities

ICRA has reaffirmed the rating of the Rs. 90 crore¹ fund-based bank facilities and Rs. 8 crore non-fund based bank facilities of Gujarat Tea Processors and Packers Limited (GTPPL) at [ICRA]AA (pronounced ICRA double A)². The non-fund based facilities are interchangeable between long-term and short-term facilities, for which ICRA has also reaffirmed the rating of [ICRA]A1+ (pronounced ICRA A one plus). The outlook on the long-term rating is stable.

The re-affirmation of the ratings reflects the sustained leadership position of GTPPL in the packet-tea segment in Gujarat, its improving geographical diversification with healthy volume growth witnessed in new markets and its demonstrated ability to sustain contribution levels. During FY2015, although GTPPL's operating profitability witnessed a slight moderation by around 30 basis points (on account of higher marketing expenses as the company expands its presence in new markets), it still remained at a healthy level. The ratings also factor in GTPPL's strong financial profile, characterised by a conservative capital structure, strong debt coverage indicators, sound liquidity and high return on capital employed. While re-affirming the ratings, ICRA has also taken into account the high entry barriers in the packet-tea business and established market position of GTPPL's brands in Gujarat, Maharashtra, Madhya Pradesh and Rajasthan. The long-term rating, however, continues to be constrained by GTPPL's geographical concentration risks with Gujarat accounting for more than 75% of sales (in value terms). The rating also notes the company's continued dependence on its flagship 'Wagh Bakri' brand, the sensitivity of volume growth and profit margins to volatility in bulk tea prices and higher marketing spend (for increasing penetration in new markets), which is likely to keep margins range bound in the short to medium term. Nonetheless, ICRA expects GTPPL's cash flows to remain strong, relative to its debt-servicing obligations.

Company Profile

GTPPL was incorporated in 1980 by the Desai family in Gujarat, which has vast experience in the local packet-tea business. The senior management team of the company consists of members from the Desai family, with Mr. Piyushkumar O. Desai as the Chairman, Mr. Pankajkumar R. Desai as the Vice Chairman & Managing Director and Mr. Raseshkumar R. Desai as the Managing Director. Mr. Paragbhai R. Desai and Mr. Parasbhai P. Desai are Executive Directors of the company. GTPPL commands a 70% market share in the Gujarat market, where its flagship brand 'Wagh Bakri' has a dominant presence.

Recent Results

During FY2015, GTPPL reported a profit after tax (PAT) of Rs. 57.54 crore on net sales of Rs. 910.27 crore against a PAT of Rs. 55.96 crore on net sales of Rs. 824.90 crore during FY2014.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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