

Mohani Tea Leaves Private Limited

Rating	Amount	Rating Action
	In Rs. Crore	July 2016
Long -Term Fund-based bank facilities	35.00	[ICRA]A-(Stable), Reaffirmed
Short-Term Non-Fund based bank facilities	5.00	[ICRA]A2+, Reaffirmed

ICRA has reaffirmed its long-term rating of [ICRA]A- (pronounced ICRA A minus) on the Rs. 35-crore¹ fund-based bank facilities of Mohani Tea Leaves Private Limited (MTPL). ICRA has also reaffirmed its short-term rating of [ICRA]A2+ (pronounced ICRA A two plus) on the Rs 5-crore non-fund based bank facilities of MTPL. The outlook on the long-term rating is 'Stable'.

ICRA's ratings reaffirmation takes into account MTPL's satisfactory operating as well as financial performance wherein its sales volumes have grown by 13% and its operating profit margin has increased to 7.7% from 6.1% in FY2015. The ratings continue to be supported by MTPL's established presence in the North Indian tea market, in the economy as well as the semi-premium segments, through its Mohani Tea brand and its strong distribution network in the states of Uttar Pradesh (UP), Madhya Pradesh (MP), Punjab, Jammu and Kashmir (J&K), Bihar and Jharkhand. The ratings also take note of its tie-up with modern trade for the sale of its own as well as private label brands, and its position as a major supplier to various Government organisations. Leveraging on its brand and its distribution network, the company has registered a compound annual growth rate (CAGR) of 15% in its operating income over the last five years. The company also has a comfortable financial profile with a lightly leveraged capital structure; healthy debt protection indicators, despite low operating margins and comfortable liquidity position as reflected in limited utilisation of working capital facilities, though utilisation increases during peak procurement season. The ratings, however, also factor in the risks associated with tea, it being an agricultural commodity and the vulnerability of MTPL's profitability to raw material (CTC Tea) price fluctuations. The ratings also factor in MTPL's dependence on external purchases of tea, thereby exposing the company to risks associated with the timely availability and quality of tea.

Going forward, the ability of the company to increase its margins and capital structure, while sustaining its revenue growth, shall be the key rating sensitivities.

Company Profile

Established in 1992, MTPL procures, blends, packages and markets CTC black tea and other specialty varieties under its own umbrella brand, Mohani Tea. The company is present in the North Indian markets, including UP, Uttaranchal, Bihar, MP, Delhi, Punjab and J&K and primarily in the mid-segment category through its flagship brand 'Mohani Good Time', which accounts for ~80% of the overall revenues. The company is also into the premium segment through its 'Mohani Gold' brand and other specialty varieties.

Recent Results

MTPL reported a net profit of Rs 7.32 crore on an operating income of Rs 280.38 crore in FY2015, as against a net profit of Rs 6.76 crore on an operating income of Rs 260.65 crore in the previous year. The company has reported, on a provisional basis, a net profit of Rs 12.58 crore in FY2016 on an operating income of Rs 317.7 crore.

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¹ 100 lakh = 1 crore = 10 million

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