

Chaizup Beverages LLP

March 01, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	5.00 (Rs. Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Chaizup Beverages LLP to monitor the rating(s) vide e-mail communications/letters dated October 01, 2021, February 12, 2022 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, Chaizup Beverages LLP has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Chaizup Beverages LLP's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of decline in total operating income along with decline in profit levels, cash accruals and profit margins during FY21 (refers the period from April 01 to March 31). The revision also factors in the weak debt coverage metrics in FY21.

The continues to remain constrained by its partnership nature of constitution, small scale of operations & low profit margins, weak financial risk profile, susceptibility to vagaries of nature and risk associated with availability of quality tea and competition from substitutes. The rating, however, derives strength from experienced promoters, various export incentives given under government schemes and order backed trading model adopted by the firm.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operation and low profit margins: The total operating income declined to Rs.70.33 crore in FY21 from Rs.96.85 crore in FY20. Further, the PBILDT and cash accruals also declined to Rs.0.57 crore and Rs.0.25 crore respectively in FY21 as against Rs.1.31 crore and Rs.0.45 crore respectively in FY20. The operating margin stood at 0.81% in FY21 as against 1.35% in FY20.

Partnership Constitution of the firm: The firm has been constituted as a limited liability partnership firm which has the risk of withdrawal of capital and may also restrict the financial flexibility at times of stress.

Weak financial risk profile: Overall gearing ratio, though continued to remain high, improved from 2.52x as on March 31, 2020 to 1.93x as on March 31, 2021. Interest coverage deteriorated and stood below unity at 0.75x in FY21 as against 2.10x in FY20. Total Debt/ GCA deteriorated from 22.35x as on Mar 31, 2020 to 34.77x as on Mar 31, 2021.

Susceptible to vagaries of nature and risk associated with availability of quality tea: The prices of tea are linked to the auctioned prices, which in turn, are linked to prices of tea in the international market. Hence, significant adverse price movement in the international tea prices affects CBL's profitability margins. Tea is a perishable product and demand is relatively price inelastic, as it caters to all segments of the society. The degree of backward integration defines the ability of the firm to withstand cyclical downturns generally witnessed in the tea industry. Though, CBL does not own tea gardens, it has not yet faced any issues relating to the availability of quality tea at desired prices in last few years.

Competition from substitutes: The tea industry faces competition from substitutes like coffee. Fast growing coffee market is adversely affecting tea consumption in Europe and Middle East. Furthermore, any sharp decline in coffee prices might impact India's tea exports.

Key Rating Strengths

Experienced Partners albeit limited track record of the firm in tea trading business: Established in 2015, the firm has six years of track record in blending and trading of tea for export. The overall functioning of the firm is looked

¹Complete definitions of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

*Issuer did not cooperate; Based on best available information

after by Mr. Harsh Poddar, who had completed his Bachelors in Engineering. Further, Mr. Laxmikant Taunk looks after marketing activities for the firm.

Order backed trading model: The firm follows an order backed trading model whereby majority of its procurements are based on confirmed orders received from the customers and thus it is safeguarded from off-take risk and the risk of any adverse impact on the margin in the event of any southward movement in prices of tea. However, it is exposed to risk of increase in procurement cost as it has to purchase the same quality of tea from auctions and private tea gardens as the sample based on which order has been received.

Various export incentives under government schemes: Government provides various benefits to the entities operating in the export segment. Under Merchandise Exports from India Scheme (MEIS), CBL is entitled to incentives on the realised FOB value of exports which would depend on the type of tea being exported, package size and the destination of export. Further, the firm enjoys incentives in the form of ~0.15% Duty Drawback Benefit on FOB value of export and Interest subvention of ~5% on packing credit facilities.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook and Credit watch](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Wholesale Trading](#)

[CARE's Policy on Default Recognition](#)

About the Company

M/s Chaizup Beverages LLP (CBL) was established as a partnership firm in 2015 by Mr. Harsh Poddar and Mr. Laxmikant Taunk. The firm is engaged in export of blended tea of five variants viz. Darjeeling tea, Dooars tea, Assam tea, Cachar tea and South Indian tea. The firm sources tea directly from tea gardens via brokers and tea auction. CBL is acknowledged as "One Star Export House". The firms export market mainly comprises of Asian subcontinents. The day-to-day affairs of the company are looked after by Mr. Harsh Poddar, designated partner of the firm.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	96.85	70.33	NA
PBILD	1.31	0.57	NA
PAT	0.36	0.15	NA
Overall gearing (times)	2.52	1.93	NA
Interest coverage (times)	2.10	0.75	NA

A: Audited, NA- Not Available

Status of non-cooperation with previous CRA: Nil

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	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE B+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	5.00	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (26-Feb-21)	1)CARE BB-; Stable (25-Mar-20)	1)CARE BB-; Stable (16-Jan-19)

*Issuer did not cooperate; Based on best available information

Annexure 3: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple

Annexure 4: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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