

Bengal Tea & Fabrics Limited

July 28, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB-; Stable and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Detailed Rationale and Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB-; Stable' [Triple B minus; Outlook: Stable] assigned to the bank facilities of Bengal Tea & Fabrics Limited (BTFL) with immediate effect. The above action has been taken at the request of BTFL and 'No Objection Certificate' received from the Punjab National Bank that have extended the facilities rated by CARE.

The rating continues to derive strength from BTFL's experienced management, established operations of its tea division with reputed clientele and its comfortable capital structure. The rating also factors in on-going monetization initiatives for non-core assets as well as adequate liquidity.

The rating, however, continues to remain constrained on account of its modest scale of operations after closure of textile division during FY22 (FY refers to the period from April 1 to March 31) and thin profitability in FY23, labor-intensive operations of its tea division and operation being susceptible to climatic conditions.

Analytical approach: Standalone

Outlook: Stable

The outlook on the long-term rating of BTFL is "Stable" considering its presence in Assam which is India's largest tea region and extensive experience of promoters in the industry that would enable the company to sustain its performance in near term.

Detailed description of the key rating drivers:

Key Rating Strengths

Experienced management

BTFL, incorporated in the year 1983, is promoted by late Shree B. D. Kanoria. It is now being managed by the next generation promoters Mr. Adarsh B. Kanoria, who has industry experience of over three decades. He took over the management as Chairman & Managing Director in 2001 and controls the overall affairs of the company. Furthermore, BTFL has well-qualified and experienced tier II management with well-defined organizational structure aided by a strong management information system.

Established operations of its tea division with reputed clientele

BTFL owns three tea estates having plantation area of 626 hectares located in upper Assam and having over four decades of operational track record in the black tea business with having own manufacturing facility. BTFL sells black tea to reputed customers having established brands and good credit risk profile thereby mitigating counter party credit risk to a certain extent. Over the years, BTFL started selling its black tea through auction players during very low credit period with an aim to reduce its dependence on large customers. However, the overall scale of operation remained moderate.

On-going monetization initiatives

BTFL's directors had approved liquidation of assets in April 2022 related to textile division i.e. Asarwa mill in due course and had monetized a major non-core asset (i.e. a guest house in posh area of Ahmedabad city named 'Asarwa House'), at a consideration of ~Rs.31 crore (with capital gain of ~Rs.30 crore) during FY22 augmenting the liquidity position. Also, in May 2023 it had sold a land parcel located at Dholka, Ahmedabad whose part payment has been received.

Comfortable capital structure

BTFL's overall gearing continue to remain comfortable at 0.06 times [0.01 times as on March 31, 2022] as on March 31, 2023 with accretion in net worth base upon monetization of assets. Further, tangible net worth stood healthy at Rs.113.28 crore as on March 31, 2023. Considering cash and bank balance it has net debt free position. Debt coverage indicators of BTFL moderated over the previous year on the back of lower profitability during FY23.

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

Key Rating Weaknesses

Modest scale of operations and thin margins in FY23

Performance of tea division remained steady over past five years with an average TOI in range of Rs.45-55 crore. During FY23, BTFL's TOI moderated by 10% on y-o-y basis to Rs.49.52 crore owing to the lower sales realization following adverse climate conditions and pressure from cheaper import of tea. BTFL's profitability moderated marked by PBILDT margin of 0.06% in FY23 from 18.08% in FY22. PBILDT of 0.06% included inventory loss on land held under 'Real Estate Division' to arrive at its NRV, excluding the same (being infrequent in nature) adjusted PBILDT margin would have been 8.36% in FY23. Overall PBILDT margin moderated owing to lower sales realisation impacting its overall profitability.

Labour-intensive operations of its tea business

Tea is amongst the most labour intensive of all plantation crops. On an average, around 40% to 50% of the total expenditure of the tea division is incurred on labour cost. The wage rate of tea plantation labourers is regulated and revised through bilateral negotiations with worker unions and other parties. As per last wage revision in August 2022, the wage rate by increased by Rs.27 to Rs.232 per day for FY23. Cost of employment also includes the social welfare cost which is mainly incurred on account of statutory provisions like water supply, medical, primary education, etc. that are to be provided to workers in India under the Plantation Labour Act. High labour cost results in high operating leverage for the company.

Operations being susceptible to climatic conditions

Tea production and prices are closely linked to climatic conditions such as droughts, pest attacks, heavy rainfall, delay in monsoon, floods and waterlogging etc. since both quality and quantity of tea produced depend on it. High operating leverage along with volatility in the tea production and prices due to adverse climatic can severely impact the profitability of the company.

Liquidity: Adequate

The liquidity position of BTFL continue to remain adequate, marked by healthy cash and bank balance (Incl. liquid investments), moderate GCA against nil debt repayment obligation and comfortable liquidity ratios. Further, liquidity ratios remained healthy marked by current ratio of 2.69x times and quick ratio of 2.34x as on March 31, 2023, on the back of increase in liquid funds. Cash flow from operations (CFO) turned positive to Rs.4.36 crore in FY23 [Negative Rs.1.81 crore in FY22]. Further, unencumbered cash and bank balance (Incl. liquid investments) increased to Rs.42.58 crore as on March 31, 2023 from Rs.23.98 crore as on March 31, 2022 owing to on-going monetisation of non-core assets.

Applicable Criteria

[Policy on Withdrawal of Ratings](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Tea & Coffee

Incorporated in 1983, Bengal Tea & Fabrics Limited (BTFL; CIN: L51909WB1983PLC036542) is currently into manufacturing of black tea at factory located at upper Assam with an installed capacity of 24 lakh kilograms per annum as on March 31, 2023. Earlier, it was also into loss making textile business which it discontinued in FY22 as well as real estate business under which one land was held which got sold in May 2023. Under Tea division, BTFL currently owns three tea estates 1. Ananda Tea Estate 2. Pthalipam Tea Estate and 3. Bordeobam Tea Estate, having plantation area of 626 hectares located in upper Assam. The company processes the green tea leaves at its own plant at Ananda Tea Estate and sells Black tea (CTC and orthodox). Further, it also processes green tea purchased from small growers.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	55.15	49.52
PBILDT	9.97	0.03
PAT*	39.98	-1.21
Overall gearing (times)	0.01	0.06
Interest coverage (times)	23.10	0.08

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'; *PAT considered here is PAT from continuing operations.

Status of non-cooperation with previous CRA: CRISIL has suspended its rating vide press release dated July 02, 2014 on account of its inability to carry out a rating surveillance in the absence of the requisite information from the company.

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (28-Sep-22)	1)CARE BBB-; Stable (13-Sep-21)	1)CARE BBB-; Stable (01-Sep-20)
2	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB-; Stable (28-Sep-22)	1)CARE BBB-; Stable (13-Sep-21)	1)CARE BBB-; Stable (01-Sep-20)
3	Non-fund-based - ST-BG/LC	ST	-	-	-	1)Withdrawn (28-Sep-22)	1)CARE A3 (13-Sep-21)	1)CARE A3 (01-Sep-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings 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.

Contact us

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About us:

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