

Madhu Jayanti International Private Limited

August 06, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	139.93 (Reduced from 147.12)	CARE BBB; Stable	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in the rating assigned to the bank facilities of Madhu Jayanti International Private Limited (MJ IPL) takes into consideration the experience of the promoters in tea business, diversified customer profile with major revenue derived through exports, improvement in financial performance in FY24 and satisfactory capital structure and debt protection metrics.

The rating is, however, constrained by competition from substitute products & from other organized domestic players in the packet tea segment, susceptibility to vagaries of nature and risk associated with availability of quality tea. The rating also takes note of the management's plan to undertake a project of around Rs.30 crore in FY25 and FY26, which will be funded entirely out of internal accruals and funds which would be released from working capital.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations as marked by above Rs.500 crore on sustained basis while sustaining operating margins above 7%.

Negative factors

- Any major debt funded capex leading to deterioration in the capital structure as marked by overall gearing ratio above 1.25x
- Decline in revenues below Rs 300 crore and operating margins below 5 percent.
- Any significant transactions or support provided to the subsidiaries affecting the liquidity position of MJ IPL.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects the ability of the company to sustain its performance on the back of healthy demand for tea coupled with maintenance of comfortable capital structure, in absence of any debt laden capex.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters: MJ IPL was promoted by late Mr Jayantilal H. Shah in 1959. Currently Mr Harish J. Shah (son of Mr Jayantilal H. Shah) looks after the day-to-day affairs of the company. He is the managing director of the company and has more than three decades of experience in the tea blending business. He is adequately supported by his son Mr Sumit Shah, other family members and a team of experienced professionals.

Diversified customer profile with major revenue derived from export sales: The customer profile of the company is relatively diversified comprising of both domestic and international entities. In FY24, the revenue from top 10 customers stood at around 52.18% as against 52.63% in FY23.

The company has its presence in both the domestic and export markets. However, majority of the sales is through exports which comprised 67.68% of total sales in FY24, increasing from 61.44% in FY23.

Satisfactory capital structure and debt protection metrics: The capital structure witnessed improvement marked by overall gearing ratio which recorded improvement from 0.75x as on March 31, 2023, to 0.49x as on March 31, 2024, on the back of repayment of EMI's pertaining to COVID Emergency loan and lower utilisation of working capital limits. Going forward, the company expects higher utilisation of WC limits, as they would release their own funds and utilise it for capex, if required. Debt coverage indicators also witnessed improvement, with Total debt to GCA improving from 4.94x as on March 31, 2023, to 2.79x as on March 31, 2024. Interest coverage also witnessed improvement from 3.94x in FY23 to 4.58x in FY24.

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

Improvement in financial performance in FY24: MJ IPL's total operating income (TOI) witnessed a growth of 17.36% from Rs.374.16 crore in FY23 to Rs.439.10 crore in FY24. The same was achieved largely through export sales, which has shown considerable growth of around 30%, especially driven by regions like West Africa, Middle East and Europe. PBILDT margins witnessed an improvement by 52 bps and stood at 6.24% in FY24, as against 5.72% in FY23 largely driven by premiumisation of products.

Key weaknesses

Competition from substitutes: The tea industry faces competition from substitutes like coffee. Fast growing coffee market could potentially affect tea consumption. Furthermore, any sharp decline in coffee prices against similar drop in prices of tea, might impact India's export and domestic consumption.

Susceptible to vagaries of nature and risk associated with availability of quality tea: Tea prices are influenced by auction prices, which are themselves tied to international market rates. Consequently, significant negative shifts in global tea prices impact MJ IPL's profit margins. Additionally, tea prices are highly volatile due to demand-supply imbalances from both domestic and international factors. Tea is a perishable product and demand is relatively price inelastic, as it caters to all segments of the society. While demand grows steadily, supply can fluctuate based on climatic conditions in key tea-producing regions. Although MJ IPL does not own tea gardens, it has consistently secured quality tea at desired prices in recent years.

Project implementation risk: The company plans to start an instant coffee division, against the same, the company is planning to incur a cost of Rs.30 crore in setting up machines, construction of a separate building for the same, buying packing machines and increasing storage spaces. However the same is yet to be finalised and the same is under proposal stage. The company will not take any term debt for the project and the same would be funded from internal accruals and company's fund which will be released from the working capital.

Liquidity: Adequate

The liquidity position of the company is adequate marked by GCA of Rs 19.38 crore in FY24 vis-à-vis debt repayments of Rs 3.31 crore. In FY25, the company has debt repayment obligation of Rs.2.81 crore against which it is expected to generate sufficient cash accruals. The average utilization of its working capital limit remained moderate at 63.41% during the past twelve months period ending June 2024. Furthermore, the company had free cash and cash equivalents of Rs.5.28 crore as on March 31, 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

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

MJ IPL, established in 1950, is engaged in trading and export of blended tea. MJ IPL markets the product under its own brands (TE-A-ME, Saraswati, Lal Paan, Tez, Jaago, Premium Gold, etc) and manufactures blended tea for private labels. It is a government recognized export trading house. The company operates seven tea blending/processing facilities with six facilities located in and around Kolkata and one in Coimbatore. The day-to-day affairs of the company are looked after by Mr. Harish J Shah, MD along with other members of the family and support of experienced professionals. MJ IPL also has a subsidiary company in Singapore and five step down subsidiaries in Russia, Ghana, Dubai and USA.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	374.16	439.10	98.79
PBILDT	21.41	27.41	NA
PAT	5.19	9.42	NA
Overall gearing (times)	0.75	0.49	NA
Interest coverage (times)	3.94	4.57	NA

A: Audited UA: Unaudited NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

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		-	-	-	44.00	CARE BBB; Stable
Fund-based - LT-EPC/PSC		-	-	-	90.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	June 2026	5.93	CARE BBB; Stable

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 2024-2025	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
1	Fund-based - LT-EPC/PSC	LT	90.00	CARE BBB; Stable	-	1)CARE BBB; Stable (29-Aug-23)	1)CARE BBB; Stable (15-Sep-22)	1)CARE BBB; Stable (02-Sep-21)
2	Fund-based - LT-Cash Credit	LT	44.00	CARE BBB; Stable	-	1)CARE BBB; Stable (29-Aug-23)	1)CARE BBB; Stable (15-Sep-22)	1)CARE BBB; Stable (02-Sep-21)
3	Fund-based - LT-Term Loan	LT	5.93	CARE BBB; Stable	-	1)CARE BBB; Stable (29-Aug-23)	1)CARE BBB; Stable (15-Sep-22)	1)CARE BBB; Stable (02-Sep-21)

LT: Long 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
2	Fund-based - LT-EPC/PSC	Simple
3	Fund-based - LT-Term Loan	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.

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