Jay Shree Tea & Industries Limited

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	218.94 (Reduced from 253.56)	CARE BBB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	106.00	CARE BBB-; Stable / CARE A3	Reaffirmed
Short Term Bank Facilities	10.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Jay Shree Tea and Industries Limited (JSTIL) continues to derive strength from the strong promoter group, diversified revenue profile, wide geographical presence, adequate capacity utilisation, strong brand name for bulk tea (in both CTC and orthodox varieties) and fertilisers. Further, the rating takes into account the cash accruals from monetisation of assets by the company during FY24 and in Q2FY25, along with commencement of the ethanol plant since August 2024 post lifting of restrictions from government for manufacturing of ethanol through sugarcane juice and/or B heavy molasses. The same is expected to help the company in improving its financial performance and capital structure in FY25. The ratings, however, remain constrained by a moderate financial risk profile, labour intensive nature of operations, profitability susceptible to price volatility and exposure to agro-climatic risk as both tea and sugar are agricultural commodities and regulatory risks associated with the sugar and fertiliser industries, which are susceptible to sudden changes in government policies.

Furthermore, CARE Ratings Limited (CARE Ratings) has withdrawn the ratings assigned to three long-term bank facilities (two term loans and one cash credit) of JSTIL with immediate effect on receipt of No Dues Certificate (NDC) from the lenders.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the total operating income (TOI) beyond Rs.1000 crore while maintaining EBIDTA margin of over 8% on a sustained basis.
- Improvement in the overall gearing below unity and debt coverage indicators from current level on a sustained basis.

Negative factors

- Any large debt funded capex leading to deterioration in the capital structure from the current level.
- Deterioration in TOI below Rs.600 crore with moderation in profitability margin below 5% on a sustained basis.

Analytical approach: Standalone factoring linkages with the group.

Outlook: Stable

Stable outlook for the company is based on the expectations that the company will continue to benefit from the extensive experience of the promoters and management in the industry which will lead to sustenance and improvement of its revenues going ahead with stable margins while maintaining its capital structure.

Detailed description of key rating drivers:

Key strengths

Strong promoter group

The company is part of B. K. Birla group. The company has been operating in the bulk tea industry for over seven decades. JSTIL derives strength from the extensive experience of its promoters and the strong and competent management. JSTIL is managed by Ms. Jayashree Mohta, elder daughter of the late Shri B. K. Birla. She has more than two decades of experience in the business of tea, sugar, chemicals, and fertilizers industries. JSTIL is a professionally managed company with board of directors comprising of highly experienced and qualified members.

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

Diversified revenue mix coupled with wide geographical presence
The company has tea estates for manufacturing of bulk tea (in both CTC and orthodox varieties). The company is also engaged in the manufacturing of sugar, ethanol, and fertilizers. Besides this the company is engaged in tea warehousing and investing activities. In FY24, tea accounted for 58%, sugar accounted for 29% and chemicals and fertilizers accounted for 13% of the turnover. Furthermore, the geographically diversified location of the tea estates, which are spread across Upper Assam, Cachar, Dooars, Darjeeling and Terai region, mitigate the risk of unfavourable agro-climatic conditions in a particular region to some extent. The company also has tea gardens in Uganda through its foreign subsidiaries. The sugar unit also benefits from its location in eastern India, which is a sugar-deficit zone, and faces limited competition from nearby sugar factories. Apart from this the company has two chemical and fertiliser units. Majority of the company's revenues are generated from domestic sales, with around 10% coming from export of tea products.

Adequate capacity utilisation
The capacity utilisation (CU) for tea division has remained in the range of 68-70% over the last three years. The utilisation for oleum and sulphuric acid remain at a similar level as compared to previous year, whereas capacity utilisation of single super phosphate (SSP) moderated to 57% in FY24 (P.Y. 76%) owing to lower production by the company as a result of reduction in subsidies by the Government on SSP. However, with the improvement in subsidies in FY25, the production of SSP is expected to improve going forward. The sugar division utilisation has seen a growth from 93% in FY23 to 99% in FY24 due to adequate availability of canes. Ethanol production was halted due to the Government of India's restriction on producing ethanol from sugarcane juice and B heavy molasses as per order dated December'23. However, the company has already restarted Ethanol production since August 2024, post lifting of restrictions by the government and the same is expected to enhance the revenues and margins of the company going forward.

Strong brand name for bulk tea and fertilizers
JSTIL is an established producer of bulk tea (in both CTC and orthodox varieties). The tea produced by JSTIL's estates has consistently commanded a premium over the district average because of their quality. The company offers close to 68 type of tea sub-varieties under its various varieties like oolong, whole leaf, ruby, dust, pekoe, fanning's, organic, white, green tea, and others. In FY22, the company launched Darjeeling Tea in packets besides "Bagicha-by Jay Shree Tea" which was launched earlier. These new launches are being publicised through online mediums including its website and various social media platforms. Though majority of its revenues are from the tea division, the company also sells fertilisers through its brand "Annapurna", which is well accepted by the farmers in the state of West Bengal.

Cash accruals from monetisation of assets by the company during FY24 and in Q2FY25
The financial performance moderated during FY24 with TOI of Rs 749 crore as compared to Rs 794 crores in FY23. The moderation was observed due to lower realisation of tea, decrease in subsidy for fertilisers by the Government and restriction on ethanol production from B heavy molasses and sugarcane juice. The profitability of the firm was significantly affected, marked by negative PBILTD margin during the year.
However, during the year, the company sold two non performing tea estate at a profit of Rs. 58.17 crore which helped the company earn PAT of Rs.15.55 crore in FY24 vis-à-vis Rs 15.95 crore in FY23. During Q1FY25, the company achieved sales of Rs.160.60 crore.
In FY25 the operating performance of the company is expected to improve on the back of expected higher production of teas and higher realisation, resumption of ethanol production from sugarcane juice and B heavy molasses and increase in subsidy from Government in fertiliser division. Also, the company has entered an agreement for sales of its 16.59 acres freehold land in Haryana for a consideration of Rs 100 crores in Q2FY5 which will provide substantial cash flows and profits in current year.

Key weaknesses
Moderate financial risk profile
The financial risk profile of the company marked by capital structure remained stable with overall gearing of 1.60x as on March 31, 2024 as against 1.65x as on March 31, 2023, on the back of gradual repayment of term loan. However, due to moderation in operating performance during FY24, the debt coverage indicators stood moderated. Going forward, the capital structure of the company is expected to improve with the monetisation efforts of the company along with no debt laden capex plans in the near future.

Labour intensive nature of business
The nature of the tea industry makes it highly labour intensive, entailing around 33% - 34% of total cost of sales in FY23 and FY24 by way of salaries & wages, various employee welfare facilities, etc.
Jay Shree Tea and Industries Private Limited has a total work force of around 19402 permanent employees as on March 31, 2024, of which the majority belong to the tea industry as it is labour intensive in nature. The rising labour cost is a major cause of concern in the face of stagnating tea prices and any significant increase in wages with no corresponding increase in tea price

realization may adversely impact the profitability margin in the future. With a view to softening the impact of rising labour cost, longer picking cycles are sometimes adopted leading to poor quality tea production which fetches low price and consequently incurs losses for the industry. Further, the labour work force is an integral part of the tea industry, and it is imperative to follow labour laws and maintain amicable relationship with the labourers for smooth functioning of the business.

Profitability susceptible to price volatility and exposure to agro-climatic risk

As tea and sugar are agricultural commodities, the company is exposed to agro-climatic and price volatility risks. Additionally, the inherent cyclicality of the fixed-cost intensive tea industry leads to variability in the profitability and cash flows of bulk tea producers, such as JSTIL. The fertiliser business is also exposed to price fluctuations given the volatile pricing of inputs like rock phosphate, sulphuric acid and sulphur.

Regulatory risks associated with the sugar and fertiliser industries

The performance of JSTIL's sugar division depends on the government's policies on sugar industry to a certain extent. The support by both the central and the state governments, to sugar producing companies, which included revision in minimum support prices, interest subvention loans for ethanol expansion and providing soft loans (by the Central Government) in addition to the export subsidy, supported the sugar industry. Further, the Government of India's policy and decisions with respect to subsidy sharing with fertiliser manufacturers has a significant bearing on JSTIL's profitability, cash flows and liquidity position (for the fertiliser segment).

Liquidity: Adequate

The liquidity is marked adequate by GCA of Rs 24.73 crore in FY24. The company will continue to monetize certain assets to garner liquidity thereby improving overall performance.

The working capital limits utilization has been around 89% in the last 12 months ending August 2024. As of March 31, 2024, the company had a free cash, bank balance and liquid investments of Rs 4.83 crores. The operating cycle increase to 93 days in FY24 as compared to 84 days in previous year due to increase in inventory days from 95 days in FY23 to 124 days in FY24.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Fertilizer
Manufacturing Companies
Sugar
Withdrawal Policy
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Tea & Coffee

Incorporated in October 1945, JSTIL, is a part of the diversified conglomerate of the B. K. Birla group. The company is managed by Jayashree Mohta, elder daughter of the late B. K. Birla. The company is engaged in the manufacturing of tea, chemicals, fertilizers and sugar. JSTIL has four Indian subsidiaries (North Tukvar Tea Company Limited (ceased to be subsidiary w.e.f. December 31, 2022), Jayantika Investment and Finance Limited (ceased to be subsidiary w.e.f. April 1, 2023), Bidhannagar Tea Company and Basant Stays Private Limited (erstwhile Divyajyoti Tea Company Private Limited)) and one foreign subsidiary (Birla Holdings Limited). At present, the company has crushing capacity of 5,000 TCD in the sugar division, annual capacity of 211 lakh kgs in the tea division, 33,000 MT of sulphuric acid and 1,32,000 MT of production capacity of single super phosphate. The company also has a co-generation plant of 6MW for captive consumption and an ethanol production capacity of 56 KLPD.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	794.04	749.11	160.60
PBILDT	11.06	-44.41	-3.35
PAT	15.95	15.55	-9.04
Overall gearing (times)	1.65	1.60	-
Interest coverage (times)	0.32	-1.19	-

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:
Brickwork has conducted the review on the basis of best available information and has classified JSTIL as "Not cooperating" vide its press release dated August 26, 2024. The reason provided by Brickwork is inadequate information and absence of No Default Statement (NDS).

Any other information: Not Applicable.

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	204.00	CARE BBB-; Stable
Fund-based - LT/ ST-Working Capital Demand loan		-	-	-	66.00	CARE BBB-; Stable / CARE A3
Fund-based - ST-Bank Overdraft		-	-	-	10.00	CARE A3
Non-fund-based - LT/ ST-BG/LC		-	-	-	40.00	CARE BBB-; Stable / CARE A3
Term Loan-Long Term		-	-	01-07-2026	14.94	CARE BBB-; Stable

Annexure-2: Rating history for 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	Non-fund-based - LT/ ST-BG/LC	LT/ST	40.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (07-Nov-23)	1)CARE BBB-; Stable / CARE A3 (06-Jan-23)	-
2	Term Loan-Long Term	LT	14.94	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Nov-23)	1)CARE BBB-; Stable (06-Jan-23)	-
3	Fund-based - LT-Cash Credit	LT	204.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Nov-23)	1)CARE BBB-; Stable (06-Jan-23)	-
4	Fund-based - LT/ ST-Working Capital Demand loan	LT/ST	66.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (07-Nov-23)	1)CARE BBB-; Stable / CARE A3 (06-Jan-23)	-
5	Fund-based - ST-Bank Overdraft	ST	10.00	CARE A3	-	1)CARE A3 (07-Nov-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT/ ST-Working Capital Demand loan	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Non-fund-based - LT/ ST-BG/LC	Simple
5	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Arindam Saha Director **CARE Ratings Limited** Phone: +91-033- 40181631 E-mail: arindam.saha@careedge.in Gopal Pansari Associate Director **CARE Ratings Limited** Phone: +91-033- 40181647 E-mail: gopal.pansari@careedge.in Soumadip Kumar Rating Analyst **CARE Ratings Limited** E-mail: Soumadip.Kumar@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:
The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For detailed Rationale Report and subscription information, please visit www.careedge.in