

Chengmari Tea Co Limited (Revised)

April 14, 2025

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	-	-	Reaffirmed at CARE BB; Stable and Withdrawn
Short-term bank facilities	-	-	Reaffirmed at CARE A4 and Withdrawn

Details of facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE BB; Stable/ CARE A4' [Double B; Outlook: Stable/ A Four] assigned to the bank facilities of Chengmari Tea Co Limited (CTCL) with immediate effect. The above action has been taken at the request of CTCL and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE Ratings Ltd.

The ratings assigned to the bank facilities of Chengmari Tea Co Limited (CTCL) continue to remain constrained by its small scale of operation, modest financial performance in FY24 (refers to the period April 01 to March 31) albeit improvement in 8MFY25, moderation in capital structure with weak debt protection metrics, volatility in tea prices, labour intensive nature of business with presence in a fragmented and competitive nature of industry and exposure to agro-climatic risk.

The ratings derive strength from the long experience of the promoters in the tea industry, backward integration for its raw material and satisfactory capacity utilisation with recovery rate above industry average.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall sustain its moderate financial risk profile over the medium term.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operation

CTCL is a small player in tea manufacturing business with only one tea garden and total operating income of Rs.75.54 crore in FY24 (FY23: Rs.66.46 crore). The small scale restricts the financial flexibility of the company in times of stress.

Volatility in tea prices

The prices of tea are linked to the auctioned prices, which in turn, are linked to prices of tea in international market. Hence, significant price movement in international tea market affects CTCL's profitability margins.

Labour intensive nature of business and high competition

The perennial nature of the tea industry has been highly labour intensive, entailing sizeable expenditure on employees (by way of salaries & wages, various employee welfare facilities, etc.). Though CTCL has not experienced such labour problem during last few years, it remains a key factor in the smooth running of the business. This apart, there are number of tea gardens and manufacturing companies throughout eastern India, which in turn increases high competition among the players resulting in limited pricing power.

Agro-climatic risks

Tea production, besides being cyclical, is susceptible to vagaries of nature. Though demand for tea is expected to have a stable growth rate, supply can vary depending on climatic conditions in the major tea growing areas. Therefore, adverse natural events have negative bearing on the productivity of tea gardens in the region. Moreover, its tea garden is concentrated in West Bengal, thereby exposing production to agro climatic risks in that State. Uneven distribution of rainfall and extreme temperature patterns shall affect the quality and production of tea. In addition, these tea gardens are located in remote areas and logistics issues are inherent.

Modest financial performance in FY24 albeit improvement in 8MFY25

In FY24, the total operating income (TOI) witnessed y-o-y growth of 14% and stood at around Rs.75.54 crore (Rs.66.46 crore in FY23). Operating loss of the company also witnessed reduction from Rs.5.38 crore in FY23 to Rs.3.03 crore in FY24. However,

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications

losses continued mainly on account of decline in realization along with increase in cost of fertilizer, manure, power & fuel and labour cost. PAT stood positive at Rs.4.40 crore in FY24 as against net loss of Rs.4.47 crore in FY23 on account of non-operating income amounting to Rs.15.02 crore. The high non-operating income comprises majorly of profit on sale of investments and profit on future contracts.

The tea industry which was impacted during last 2 years has witnessed improvement in the current financial year with reduced crop loss and increase in realisation rate for tea. Consequently, the company's financial performance has shown improvement, with an operating income of Rs.58.40 crore and a PBILDT margin of around 22% reported in 8MFY25.

Moderation in capital structure with weak debt protection metrics in FY24

The total debt increased from Rs.39.89 crore as on March 31, 2023 to Rs.54.35 crore as on March 31, 2024, on account of increase in term debt for putting up solar panels and also on account of higher utilization of working capital limit. As a result, overall gearing moderated from 1.95x as on March 31, 2023 to 2.19x as on March 31, 2024. TDGCA, though witnessed improvement with company earning cash profit, however, same continued to remain weak at 8.31x as on March 31, 2024.

Key strengths

Long track record and experienced promoters

CTCL has been engaged in the cultivation and sale of tea since 1975, thus having a track record of around four decades. The company has been promoted by the Kejriwal family and their relatives. Raj Vardhan Kejriwal is the Managing Director of CTCL and looks after the overall management of the company. He is having almost three decades of experience in the tea industry and is ably supported by six other directors, who are having more than a decade of experience in the tea industry and a team of experienced personnel.

Backward integration for the major raw materials

The company has its own tea garden which provides it the flexibility to produce and supply tea, as per the demand scenario. Its requirement of green leaf is met through its own tea estate and hence, it does not have to depend on external raw material suppliers and resultantly the pressure on margin due to higher raw material cost is low.

Satisfactory capacity utilisation

Capacity utilization of the tea processing unit of CTCL has remained satisfactory during the last three years and the same remained in the range of 68% to 80% during FY22-FY24. However, the company reported increase in utilisation to over 100% during 8MFY25 on account of better utilization of resources and good quality of tea leaves.

Furthermore, the average recovery rate for CTCL is marginally above the industry average at 22.53% in FY24.

Liquidity: Adequate

The liquidity position of the company is adequate with company having investments in quoted equity shares of around Rs.70 crore and free cash and cash equivalents of Rs.1.51 crore as on March 31, 2024. The company earned GCA of Rs.6.54 crore vis-à-vis debt repayment obligation of Rs.0.77 crore in FY24. In FY25, the company has repayment obligation of Rs.1.23 crore against which it is expected to generate sufficient cash accruals. The average utilisation of the fund-based working capital limit stood over 90% during the last 12 months period ended November 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](#)

[Withdrawal Policy](#)

[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

CTCL was incorporated in 1975. It is promoted by Kejriwal family of Kolkata. CTCL has tea processing capacity of 4 million kg per annum. CTCL owns one tea estate at Dooars, Jalpaiguri district, West Bengal and a manufacturing facility located adjacent to the tea estate, which processes the leaf from the garden. The aggregate area under cultivation is 1320.3 hectares. CTCL is a closely

held company. Raj Vardhan Kejriwal is the Managing Director of CTCL and looks after the overall management of the company. He is having almost three decades of experience in the tea industry.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	66.46	75.54	58.40
PBILDT	-5.38	-3.03	12.94
PAT	-4.47	4.40	NA
Overall gearing (times)	1.95	2.19	NA
Interest coverage (times)	-1.53	-0.68	4.96

A: Audited; UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

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 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		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	December 2029	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	0.00	Withdrawn

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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	-	-	1)CARE BB; Stable (April 14, 2025)	1)CARE BB; Stable (07-Jan-25)	1)CARE BB; Stable (19-Feb-24) 2)CARE BB; Stable (07-Feb-24)	1)CARE BB; Stable (08-Feb-23)
2	Non-fund-based - ST-Bank Guarantee	ST	-	-	1)CARE A4 (April 14, 2025)	1)CARE A4 (07-Jan-25)	1)CARE A4 (19-Feb-24) 2)CARE A4 (07-Feb-24)	1)CARE A4 (08-Feb-23)

							(07-Feb-24)	
3	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB; Stable (April 14, 2025)	1)CARE BB; Stable (07-Jan-25)	1)CARE BB; Stable (19-Feb-24)	-

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-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	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

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Arindam Saha Director CARE Ratings Limited Phone: +91-33-4018 1631 E-mail: arindam.saha@careedge.in</p> <p>Kamal Mahipal Assistant Director CARE Ratings Limited Phone: +91-33-4018 1628 E-mail: kamal.mahipal@careedge.in</p> <p>Rajat Tiwari Analyst CARE Ratings Limited E-mail: rajat.tiwari@careedge.in</p>
--	---

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 Limited 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. CARE Ratings Limited does not conduct an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks on information obtained from reliable and credible sources. CARE Ratings Limited 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 Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved in other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.