

Baruanagar Tea Estate Private Limited

December 21, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	7.42	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	7.42 (Rs. Seven Crore and Forty-Two Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking monthly 'No Default Statement (NDS)' from Baruanagar Tea Estate Private Limited (BTEPL) to monitor the rating(s) vide e-mail communications/letters dated September 30 2021, December 15 2021 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite NDS for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Baruanagar Tea Estate Private Limited's bank facilities will now be denoted as **CARE BB-; 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 rating has been put under Non Cooperation category on account of non-submission of NDS for the last three months.

Rating Sensitivities: Not Applicable

Detailed description of the key rating drivers

At the time of last rating on September 03 2021, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Small scale of operations

Despite increase in total operating income from Rs.26.15 crore in FY20 to Rs.31.80 crore in FY21 (Prov.), the scale of operations of the company continued to remain small. The tangible net worth of the company stood at Rs.11.36 crore and the total capital employed of the company was also low at Rs.16.05 crore as on March 31, 2021 (Prov.). The small scale restricts the financial flexibility of the company at a time of stress.

Working capital along with labour intensive nature of operations

BTEPL's business, being manufacturing and processing of tea, is working capital intensive in nature. Different types of processes are involved in tea manufacturing like withering, fixing, oxidation, rolling, drying and aging. BTEPL has to maintain the requisite inventory due to seasonal availability of tea. The operations of BTEPL are working capital intensive as marked by moderate operating cycle of 24 days in FY21 (Prov.). It is on account of moderate inventory days of 17 in FY21 (Prov.) as compared to 30 days in FY20. The average collection day stands moderate in the range of 19-27 days during the period FY18 to FY21 (Prov.).

Furthermore, the perennial nature of the tea industry is highly labour intensive, entailing sizeable expenditure on employees (by way of salaries & wages, various employee welfare facilities, etc.). Though the entity has not experienced any such labour problem during last few years, it remains a key factor in the smooth running of the business.

Volatility associated with tea prices

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 market affects BTEPL profitability margins. Further, tea prices fluctuate widely with demand-supply imbalances arising out of both domestic and international scenarios. Tea is a perishable product and demand is relatively price inelastic, as it caters to all segments of the society. While demand has a strong growth rate, supply can vary depending on climatic conditions in the major tea growing countries. Unlike other commodities, tea price cycles have no linkage with the general economic cycles, but with agro-climatic conditions.

Susceptible to vagaries of nature

Tea production, besides being cyclical, is susceptible to vagaries of nature. BTEPL's tea processing unit is located in Charaideo district of Assam, the second largest tea producing state in India. However, the region has sometimes witnessed erratic weather conditions in the past. 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 and accordingly BTEPL is exposed to vagaries of nature.

¹Complete definition 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

Intensely competitive nature of industry along with presence of many unorganized players

While the tea industry is an organized agro-industry, it is highly fragmented in India with presence of many small, mid-sized and large players. There are about 1000 of tea brands in India, of which 90% of the brands are represented by regional players while the balance of the 10% is dominated by big corporate houses. This, coupled with the growing shift from loose to branded tea among consumers, would further intense the competition for BTEPL.

Key Rating Strengths

Extensive experience of the promoters in the tea industry

Smt. Lakhimi Borooh (Director), has more than six decades of experience and looks after the day-to-day operations of the company. She is well supported by other directors, Mr. Ashish Phookan, Mrs. Jahnabi Phookan, Mr. Arun Thekedath and Mrs. Atreyee Borooh who have 44 years, 34 years, 29 years and 25 years of experience respectively in the similar line of business.

Improvement in financial performance in FY21 along with high volatility in profitability

The total operating income of BTEPL grew by 21.61% y-o-y during FY21 (Prov.) to Rs.31.80 crore (FY20: Rs. 26.15 crore) primarily on account of improved sales realization. The operating margin of the company improved to 19.90% in FY21 (Prov.) as against 6.53% in FY20 due to substantial increase in the tea prices. In line to the PBILDT margin, the PAT margins also improved to 11.33% in FY21 (Prov.) as against 4.93% in FY20.

Comfortable capital structure and satisfactory debt coverage indicators

The capital structure of the company was comfortable marked by debt equity ratio of 0.18x as on March 31, 2021 (Prov.) as against 0.26x as on March 31, 2020 while the overall gearing ratio improved to 0.42x as on March 31, 2021 (Prov.) vis-a-vis 0.76x as on March 31, 2020. The improvement has been on account of repayment of loans and reduction in debt along with accretion of profits to net worth. Furthermore, interest coverage ratio also improved to 6.87x in FY21 (Prov.) on account of higher profits and marginally lower interest cost. The total debt to gross cash accruals was moderate at 1.13x in FY21 (Provisional).

Moderate capacity utilization

BTEPL's capacity utilization of the tea processing unit of the company was moderate and stood at 65.14% in FY21 (Prov.) as against 74.90% in FY20. Furthermore, the recovery rate of green leaf consumed remained at satisfactory levels around 25% during last three years, which was in line to the industry average.

Backward integration for its raw material

The company has leased two tea gardens which provides it the flexibility to produce and supply tea, as per the demand scenario. Most of its requirement of green leaf is met through its leased tea estate.

Liquidity: Not Applicable

Analytical approach: Standalone

Applicable Criteria

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Policy on default recognition

Financial Ratios – Non financial Sector

Rating Outlook and Credit Watch

Manufacturing Companies

About the Company

Baruanagar Tea Estates Private Limited (BTEPL) was incorporated in October 1955. Since its incorporation the company is engaged in manufacturing and processing of tea. The manufacturing unit of the company is located at Charaideo district of Assam with an installed capacity of 2000000 Kgs per annum. The company has leased tea garden at Sundarpur Tea Estate at Charaideo district of Assam. The company sells its tea under the brand name of Konyak through auction and through broker. The Registered office of the company is located at ETB House, 191 GNB, Road Chandmari, Guwahati- 781003, Assam. Smt. Lakhimi Borooh (Director) who has around six decades of experience looks after the day to day operation of the company. She is also supported by other directors Mr. Ashish Phookan, Mrs. Jahnabi Phookan, Mr. Arun Thekedath and Mrs. Atreyee Borooh who are having long experience in similar line of business.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (P)	H1FY22 (P)
Total operating income	26.15	31.80	NA
PBILDT	1.71	6.33	NA
PAT	1.29	3.60	NA
Overall gearing (times)	0.76	0.42	NA
Interest coverage (times)	1.63	6.87	NA

A: Audited; P: Provisional; NA: Not 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 for this company: Annexure 4

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	-	-	-	-	5.41	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Bank Overdraft	-	-	-	-	0.47	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	April 2023	1.54	CARE BB-; 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	5.41	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB-; Stable (03-Sep-21)	1)CARE BB-; Stable (04-Sep-20)	1)CARE BB-; Stable (30-Sep-19)	1)CARE B+; Stable (16-Nov-18)
2	Fund-based - LT-Bank Overdraft	LT	0.47	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB-; Stable (03-Sep-21)	1)CARE BB-; Stable (04-Sep-20)	1)CARE BB-; Stable (30-Sep-19)	1)CARE B+; Stable (16-Nov-18)
3	Fund-based - LT-Term Loan	LT	1.54	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB-; Stable (03-Sep-21)	1)CARE BB-; Stable (04-Sep-20)	1)CARE BB-; Stable (30-Sep-19)	1)CARE B+; Stable (16-Nov-18)

*Issuer did not cooperate; Based on best available information

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

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure 5: 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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