

K. B. Tea Product Private Limited

December 28, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.60	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.40	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	6.00 (Rs. Six Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from K. B. Tea Product Private Limited (KBTP) to monitor the rating(s) vide e-mail communications/letters dated July 15, 2021, December 16, 2021 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information 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. Further, K. B. Tea Product Private Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on K. B. Tea Product Private Limited bank facilities will now be denoted as **CARE BB; Stable; Issuer Not Cooperating/CARE A4; 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 ratings take into account small scale of operation with low profitability margin, volatility associated with tea prices, high competition with lack of backward integration and susceptible to vagaries of the nature. However, the above weaknesses are partially offset by established brand name with satisfactory demand for the major manufactured products i.e. black tea in both domestic and foreign market coupled with association with reputed clientele, experienced promoters with long track record, proximity to raw material sources and moderately small scale of operation with low profitability margin.

Detailed description of the key rating drivers

At the time of last rating on December 28, 2020 the following were the rating strengths and weaknesses (updated for the information available from Register of Companies).

Key Rating Strengths

Experienced promoters with long track record

KBTP has been engaged in tea blending, packaging and marketing since 1998. KBTP is currently managed by Mr. Srawan Choudhary, having over two decades of experience in the similar line of business. This apart, all other three directors are also having over a decade of experience in similar industry.

Established brand name with satisfactory demand for the major manufactured products i.e. black tea in both domestic and foreign market coupled with association with reputed clientele

KBTP sells its products under the brand name of "City Gold Tea" which is widely known brand in the domestic market. Tea has satisfactory demand level in domestic and export market as widely used beverage. Currently, the company markets its product in 17 states of India and has signed a selling arrangement with Indian Oil Corporation and Northern Railways.

Proximity to raw material sources

KBTP's unit has close proximity to local tea gardens and processing plants. Further, West Bengal and nearby state like Assam are one of the major tea producing area in India. Accordingly, KBTP has locational advantage in terms of proximity to raw material. This apart, the plant is located in the vicinity of industrial area of West Bengal, having good transportation facilities and other requirements like good supply of power, water etc

Comfortable capital structure with satisfactory debt coverage indicators

The capital structure of the company though moderated, stood comfortable with overall gearing ratio of 0.85x as on March 31, 2021 (0.39x as on March 31, 2020) due to increase in the total debt. Accordingly, Total debt/GCA moderated from 2.01x as on March 31, 2020 to 4.33x as on March 31, 2021.

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

Key rating weaknesses

Small scale of operation with low profitability

Income from operations increased by 26.56% y-o-y to Rs.92.40 crore in FY21. The PBILDT margin remained stable at 3.75% in FY21 as against 3.65% in FY20. However, the PAT margin declined to 1.96% in FY21 vis-à-vis 2.12% in FY20 mainly on account of increase in finance charge due to increased debt levels in FY21. GCA stood at Rs.2.06 crore in FY21.

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 KBTPPL's 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.

High competition with lack of backward integration

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 number of tea brands in India, of which 90% of the brands are represented by regional players. Furthermore, the company does not own any tea garden, thus it has to depend completely on local gardens and open market which in turn decreases its profitability on account of lack of backward integration.

Susceptible to vagaries of nature

Most of the tea gardens from which KBTP procures green leaves are concentrated in the state of West Bengal and Assam. However, the region is prone to erratic weather conditions. Therefore, adverse natural events have negative bearing on the productivity of tea gardens in the region and accordingly KBTP is exposed to vagaries of nature.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the Company

KBTP was incorporated in 1998 to initiate a tea blending, packaging and marketing unit at Siliguri in West Bengal. Currently the company is engaged in procuring processed tea leaf from local tea plants and after blending & packaging of the same, markets the same under its own brand name of "City Gold Tea". Currently the company markets its product in 17 states of India and has signed a selling arrangement with Indian Oil Corporation and Northern Railways. The day-to-day affairs of the company are looked after by Mr. Srawan Choudhary with the help of the other directors and a team of experienced personal.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22
Total operating income	73.01	92.40	NA
PBILDT	2.67	3.47	NA
PAT	1.55	1.81	NA
Overall gearing (times)	0.39	0.85	NA
Interest coverage (times)	6.39	4.18	NA

A: Audited, 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 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 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		-	-	-	5.60	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees		-	-	-	0.40	CARE A4; ISSUER NOT COOPERATING*

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	5.60	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (28-Dec-20)	1)CARE BB; Stable (11-Oct-19)	1)CARE BB; Stable (13-Aug-18)
2	Non-fund-based - ST-Bank Guarantees	ST	0.40	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (28-Dec-20)	1)CARE A4 (11-Oct-19)	1)CARE A4 (13-Aug-18)

* Long Term / Short Term

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-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantees	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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