

## Buds Tea Industries Limited

May 31, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	20.00	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	2.00	CARE D / CARE D; ISSUER NOT COOPERATING* (Single D / Single D ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>22.00</b> <b>(Rs. Twenty-Two Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

*\*Issuer did not cooperate; Based on best available information*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 31, 2020, placed the ratings of Buds Tea Industries Limited (BTIL) under the 'issuer non-cooperating' category as BTIL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. BTIL continues to be non-cooperative despite repeated requests for submission of information through phone calls and emails dated February 24, 2021 and March 06, 2021 among others.

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.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.**

### Detailed description of the key rating drivers

*At the time of last rating on Mar 31, 2020, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):*

#### Key Rating Weaknesses

**On-going delays in debt servicing:** There were on-going delays in debt-servicing owing to non-servicing of interest on Cash Credit limits, primarily due to liquidity mismatch.

**Deterioration in financial performance in FY20:** The total operating income of the company witnessed decline of 42% y-o-y in FY20 to Rs.53.58 crore. Further, PBILDT margin also deteriorated from 4.71% in FY19 to 0.79% in FY20. Interest coverage ratio declined from 1.58x in FY19 to 0.15x in FY20. In FY20, the company reported loss of Rs.3.62 crore vis-à-vis profit of Rs.0.11 crore in FY19.

**Small scale of operations:** The operations of the company are relatively small with total operating income of Rs.53.58 crore during FY20 and total capital employed of Rs.40.51 crore as on Mar.31, 2020 vis-à-vis Rs.47.49 crore as on Mar.31, 2019. The small size restricts the financial flexibility of BTIL and hinders the benefits of economies of scale.

**Weak capital structure & debt protection metrics:** The company reported leveraged capital structure as exhibited by increase in overall gearing from 3.01x as on March 31, 2019 to 3.94x as on March 31, 2020. Accordingly, Total Debt/ GCA was also vulnerable in view of cash loss in FY20 as against 21.60x in FY19.

**Working capital intensive nature of business:** BTIL's operations are working capital intensive as exhibited by average inventory period and collection period of about 4 months each in FY20. The operating cycle stood at 185 days in FY20 (117 days in FY19).

**Agro-climatic risk and resultant price risk:** The company has a bought leaf factory and procures tea leaves from local sources. The production of tea leaves in turn is susceptible to the vagaries of nature and the resultant demand supply gap also leads to variation in prices. This also exposes the company's profits to fluctuation due to price risk.

## Key Rating Strengths

**Experience of the promoters in the tea industry:** BTIL is a part of the Limtex Group and its operations are managed by promoters-directors Mr Gopal Poddar, Mr Shankar Poddar and Mr Subhash Poddar. The directors have experience of more than three decades in the tea business through various companies in the group. The Limtex group has a strong presence in the tea industry through its various tea factories and tea gardens.

**Analytical approach:** Standalone

### Applicable Criteria

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

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for manufacturing companies](#)

[Criteria for Short-Term Instruments](#)

### About the Company

Buds Tea Industries Limited (BTIL), incorporated in 2013, is engaged in processing (4,500 tpa) and sale of tea. For this it has a bought leaf factory in Jalpaiguri, West Bengal. The operations of BTIL are managed by directors and brothers Mr. Gopal Poddar, Mr. Shankar Poddar and Mr Subhash Poddar. BTIL is a part of the Limtex Group of Industries which is promoted by Kolkata based Poddar family which is mainly into tea industry.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	93.26	53.58
PBILDT	4.39	0.42
PAT	0.11	-ve
Overall gearing (times)	3.01	3.94
Interest coverage (times)	1.58	0.15

A: Audited

### Status of non-cooperation with previous CRA:

CRISIL continues to put the rating of Buds Tea Industries Limited under non-cooperation category vide press release dated September 14, 2020.

ICRA continues to put the rating of Buds Tea Industries Limited under non-cooperation category vide press release dated March 30, 2020.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Complexity level of various instruments rated for this company:** Annexure 3

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE D; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	2.00	CARE D / CARE D; 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	20.00	CARE D; ISSUER NOT COOPERATING*	-	-	1)CARE D; ISSUER NOT COOPERATING* (31-Mar-20) 2)CARE B; Stable (04-Apr-19)	1)CARE B; Stable (17-Apr-18)
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	2.00	CARE D / CARE D; ISSUER NOT COOPERATING*	-	-	1)CARE D / CARE D; ISSUER NOT COOPERATING* (31-Mar-20) 2)CARE B; Stable / CARE A4 (04-Apr-19)	1)CARE B; Stable / CARE A4 (17-Apr-18)
3.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (31-Mar-20) 2)CARE B; Stable (04-Apr-19)	1)CARE B; Stable (17-Apr-18)

\*Issuer did not cooperate; Based on best available information

## Annexure 3: Complexity level of various instruments rated for this company:

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT/ ST-Bank Guarantees	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

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