

Joonktollee Tea & Industries Ltd

June 03, 2019

Ratings

Facilities	Amount (Rs. Crore)	Ratings ¹	Remark
Long-term Bank Facilities- Cash Credit	25.00 (enhanced from 10.00)	CARE BB+; Stable [Double B Plus ;Outlook: Stable]	Reaffirmed
Long-term Bank Facilities- Term Loan	18.00	CARE BB+; Stable [Double B Plus ;Outlook: Stable]	Assigned
Short Term Bank Facilities-WCDL	27.00	CARE A4+[A four Plus]	Assigned
Total Facilities	70.00 (Rupees Seventy Crore only)		

Details of facilities/instrument in Annexure-1
Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Joonktollee Tea & Industries Ltd (JTIL) continues to be constrained by continuous decline in profit leading to losses at operating level, small scale of operations, labour intensive nature of industry and agro climatic risk. The ratings, however derives comfort from long experience of the promoters in the tea industry, geographic and product diversification, regular support from promoter group and comfortable capital structure.

The ability of the company to improve its profitability and manage liquidity is key rating sensitivities.

Detailed description of the key rating drivers
Key Rating Weakness
Financial performance marked by declining profitability leading to loss at operating level

In FY19, income from operation stood at Rs.105.61 cr .which is lower vis-à-vis FY18 by around 2.35% (Rs.108.15 cr.). The decline in TOI in FY19 was mainly attributable to low yield due to flood in Kerala in August 2018. This has also impacted profitability for FY19 leading to losses at PBILDT level.

The profitability of the company has remained weak over the years due to upward revision in wage rates retrospectively in south India This apart the wages have also been revised in Assam from FY18 onwards. Accordingly high labour cost coupled with declining realizations and seasonality impacted the profitability.

Despite losses the company is able to repay term debt and interest obligation by calling back the loan and advances, and also by dilution of stake in its subsidiary and has also reduced its cash and liquid investment. Though company incurred losses in past, the performance is expected to improve as company expects going forward to generate income from selling of old rubber trees,, venture into blending and export of tea. Further it is also in the processes to commence manufacturing of orthodox tea and to launch its own brand packet tea wherein it expects better margins.

Small scale of Operations

Assam gardens are known for deep and pungent flavoured "crush, tear, curl" (CTC) black tea. Despite this JTIL faces intense competition from the other tea manufacturers in the region who have much larger scale of operations. India, being the largest producer of black tea, produced 1322 million kg as against 1267 million kg during the year 2017. Production scale of JTIL remains small.

Labour intensive nature of industry

The nature of the tea industry makes it highly labour intensive, entailing around 40%-45% of cost of sales by way of salaries and wages and various employee welfare facilities. Any significant increase in wages with no corresponding increase in tea price realization and output may negatively impact the profitability margin in the future.

Agro climatic risk

Majority of tea estates are located in Assam, which has witnessed erratic weather conditions in the past. It has experienced drought during 2008, pest attack in 2010, heavy rainfall in 2012, and a delay in monsoon during 2014. This apart, Assam experienced heavy rains during FY18 led to in the flooding and waterlogging. Accordingly, JTIL's profitability is susceptible to vagaries of nature.

Liquidity

The liquidity position of the company remained stretched owing to cash losses being reported by the company coupled with term loan repayment obligation being in place. However liquidity is supported by divestment in subsidiaries to group companies and calling back of loans and advances from group companies.

Key Rating Strength

Long experience of the promoters in the tea industry

JTIL is currently promoted by the Bangur family of Kolkata who acquired the company in 1954. Initially company had one Tea estate in upper Assam and gradually acquired other estates, now JTIL owns around five tea estate in North India and around seven estates in South India for production of tea, rubber and coffee. Currently the affairs are looked after by Mr. Hemant Bangur who has an experience of around two decade in the tea industry. He is the past President of Tea Association of India. Apart from tea, rubber and coffee, the group has presence in Jute industry through other group companies.

Geographic and product diversification

JTIL has presence in East India as well as South India, as it has its estates situated in Assam, Karnataka and Kerala. Since JTIL is exposed to agro climatic risk, geographic diversification helps the company mitigate the risk associated with any vagaries of nature or any epidemic which might impact any particular region.

The product profile of the company is well diversified as JTIL is involve in the business of tea, coffee and rubber with tea & rubber account for around 79% and 16% respectively in FY18.

Regular support from promoter group

JTIL has been reporting losses at PBILDT level and cash losses in FY18 & FY19. However despite such losses, it has been able to timely meet its debt servicing obligation by regular support from promoters coupled with relying on free cash & liquid investments. The flagship company of the group is Gloster Ltd which is a dominant player in jute industry having healthy financial risk profile and comfortable liquidity position. The support from the promoter group has been in the form of calling back of loans and advances to group companies aggregating Rs.10cr in FY18 and by selling of stake in its subsidiaries to promoter group companies.

Comfortable Capital Structure

JTIL's overall gearing improved from 0.41x as on March 31, 2018 to 0.36 as on March 31, 2019 on account of decrease in the reliance on short-term borrowings in FY18 as well as due to decrease in term loan. Total Debt/GCA has remained vulnerable due to cash losses reported in FY18 & FY19.

Analytical approach: Consolidated. While arriving at the rating, consolidated financial statement of JTIL has been considered which includes three subsidiaries, namely, Keshava Plantation Pvt Ltd (KPPL), Cowcoody Builders Pvt Ltd and Pranav Infradev Company Pvt Ltd. While KPPL is engaged in manufacturing of Tea, the other two subsidiaries do not have much of operations and have mostly real estate investments.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

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

[Rating Methodology-Manufacturing Companies](#)

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

[Factoring linkages in Rating](#)

About the Company

The Joonktollee Tea Co. Ltd. was promoted by John Elliot Esq. in August, 1874 to manage the affairs of a small Tea Estate in Upper Assam. Later in 1920's the John Elliot Esq. handed over the management and control to the managing agency of Kettlewell Bullen & Co. Ltd. Subsequently, in the year 1954, Bangur family acquired the managing agency and the company and since then the company has been under the management of Gopal Das Bangur group. The name of the Company was changed to "Joonktollee Tea & Industries Ltd" (JTIL).The group is primarily into jute, tea, coffee, rubber, and paper businesses. Gloster Limited; the flagship company of the group is engaged in jute business.

Brief Financials (Rs. crore)Consolidated	FY18(A)	FY19(A)
Total operating income	108.15	105.61
PBILDT	-2.88	-7.89
Reported PAT	-14.36	-15.90
Overall gearing (times)	0.41	0.36
Interest coverage (times)	-0.36	-0.44

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

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

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	-	-	-	25.00	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	Dec,2021	18.00	CARE BB+; Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	27.00	CARE A4+

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	25.00	CARE BB+; Stable	1)CARE BB+; Stable (07-May-19)	-	-	-
2.	Fund-based - LT-Term Loan	LT	18.00	CARE BB+; Stable	-	-	-	-
3.	Fund-based - ST-Working Capital Demand loan	ST	27.00	CARE A4+	-	-	-	-

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact:

Name: Mr. Anil More

Tel: 033-4018 1623

Mobile: 8444867144

Email: anil.more@careratings.com

Business Development Contact

Name: Lalit Sikaria

Contact no. : 9830386869

Email ID: lalit.sikaria@careratings.com

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