Joonktollee Tea & Industries Ltd

August 31,2020

Ratings

Facilities	Amount (Rs. Crore)	Ratings[1]	Remark
Long-term Bank Facilities-Cash Credit	25.00	**CARE BB+; Stable [Double B Plus ;Outlook: Stable]**	**Reaffirmed**
Long-term Bank Facilities-Term Loan	10.50 (reduced from 18.00)	**CARE BB+; Stable [Double B Plus ;Outlook: Stable]**	**Reaffirmed**
Short Term Bank Facilities-WCDL	17.00 (reduced from 27.00)	**CARE A4+[A four Plus]**	**Reaffirmed**
Total Facilities	**52.50 (Rupees Fifty two crores and fifty lakhs only)**		

Details of facilities/instrument in Annexure-1
For classification of instruments/facilities please refer to Annexure-3

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Joonktollee Tea & Industries Ltd (JTIL) continues to be constrained by continued 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, continued support from the promoter group and satisfactory capital structure

Rating Sensitivities
Positive Factor
•Growth in scale of operations as marked by total operating income of above Rs. 200 crores on a sustained basis
•Increase in profitability margins as marked by PBILDT margins of above 7% and PAT margin of above 5.5% on a sustained basis
Negative Factor
•Deterioration in overall gearing above unity on a sustained basis.
•Any major debt funded capex undertaken by company.

Detailed description of the key rating drivers
Key Rating Weakness
Financial performance marked by continued losses at operating level
In FY20, total income of JTIL stood Rs.93.06cr as against total income of Rs.102.18 in FY19.TOI in FY20 was low due to lesser availability of brought leaves in Assam which led to lower sales/production volumes and average realization also remain low in FY20 as compare to FY19. Further due to lockdown during last ten days of Mar'20, company was unable to deliver its stock of coffee and rubber which has also impacted the sales.
The profitability of the company has remained weak over the years due to upward revision in wage rates retrospectively coupled with low realisation from southern gardens which resulted in lower absorption of fixed cost along with asymmetrical weather condition lead to crop losses.
Despite cash losses (Rs.18.15 cr in FY20 as against Rs.9.97 cr.in FY19) being reported by the company, it was able to meet its interest and principal obligation by calling back the loan and advances, dilution of stake in its subsidiary, by infusion of ICD of Rs.22.25 cr. in FY20 from Group companies and by dilution of liquid investment.
Though company incurred losses in past, the performance is expected to improve in the current fiscal year due to substantial increase in the auction prices of tea.

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 1350 million kg during FY19. Production scale of JTIL continued to remain small at 5.21 million kg in FY20.

Labour intensive nature of industry
The nature of the tea industry makes it highly labour intensive, entailing around 50%-60% 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, a delay in monsoon during 2014 and floods and waterlogging in FY18. This apart, Assam experienced heavy rains during the month of July 2020 led to in the flooding and waterlogging. Accordingly, JTIL 's profitability is highly susceptible to vagaries of nature.
Liquidity-Stretched
The liquidity position of the company remained stretched owing to cash losses reported by the company in the last few years; however servicing of debt obligation is in place. The liquidity is supported primarily out of divestment in subsidiaries to group companies and infusion of funds by the group entities. Its average months end utilization in last twelve months ended May 31, 2020 stood at around 82%. Further JTIL has not availed any moratorium benefits etc. under the RBI's COVID-19 regulatory package.
The liquidity is expected to improve as company has announced to raise fund to the tone of ~ Rs.49.90 crores by issue of equity shares and redeemable preference shares and through sell of old rubber trees.

Key Rating Strength
Long experience of the promoters in the tea industry
JTIL is 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 to somewhat 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 moderately diversified with JTIL being involve in the business of tea, coffee and rubber with tea, coffee & rubber account for around 88% (84%), 5%(5%) and 7%(11%) respectively in FY20(FY19).

Continued support from promoter group
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. Further, in FY20 a sum of Rs.22.25 cr. was infused in form of ICD by its group companies. Further, management has also stated that during Q1FY21, the company has received Rs.10.00 cr. from its group companies to meet its working capital requirements.
Thus the promoters have demonstrated regular support by way of infusion of funds either directly or indirectly to support the debt repayment obligation.

Satisfactory Capital Structure
Capital structure of the company is satisfactory with overall gearing of 0.70x as on March 31, 2020 as against 0.38 as on March 31, 2019. Overall gearing deteriorated as on March 31, 2020 due to increase in total debt from through infusion of ICD by its group companies.
Total Debt/GCA has remained vulnerable due to cash losses reported by the company in the last few years.

Analytical approach: Consolidated. While arriving at the rating, consolidated financial statement of JTIL has been considered which includes two subsidiaries, namely, Keshava Plantation Pvt Ltd (KPPL)(Wholly owned subsidiaries) and Pranav Infradev Company Pvt Ltd.(Wholly owned subsidiaries) and one associate company namely Cochin Malabar Estates and Industries Ltd (24.68% stake). While KPPL is engaged in manufacturing of Tea, the other two entities do not have much of operations and have mostly real estate investments.
Note: During the FY19 Cowcoody Builders Pvt. Ltd. has ceased to be a subsidiary of the Company.

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology-Manufacturing Companies
Financial ratios – Non-Financial Sector
Factoring linkages in Rating
Criteria on short term instrument
Complexity level of Rated Instruments
Liquidity analysis of Non-financial sector entities

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	FY19(A)	FY20(A)
Total operating income	102.18	92.17
PBILDT	-8.06	-11.01
Reported PAT	-15.90	-24.28
Overall gearing (times)	0.38	0.70
Interest coverage (times)	NM	NM

A: Audited; NM: Not Meaningful

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	-	-	March 2022	10.50	CARE BB+; Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	17.00	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	25.00	CARE BB+; Stable	-	1)CARE BB+; Stable (03-Jun-19) 2)CARE BB+; Stable (07-May-19)	-	-
2.	Fund-based - LT-Term Loan	LT	10.50	CARE BB+; Stable	-	1)CARE BB+; Stable (03-Jun-19)	-	-
3.	Fund-based - ST-Working Capital Demand loan	ST	17.00	CARE A4+	-	1)CARE A4+ (03-Jun-19)	-	-

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.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - ST-Working Capital Demand loan	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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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