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Shri Vasuprada Plantations Limited September 19, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	33.00 (includes proposed facility of 6.54)	IVR BB/ Stable (IVR double B with Stable outlook)	-	Assigned	Simple
Short Term Bank Facility	17.00	IVR A4 (IVR A four)	-	Assigned	Simple
Total	50.00 (INR Fifty crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Shri Vasuprada Plantations Limited (SVPL) considers the common management team and financial linkages between SVPL and its subsidiary - Keshava Plantations Private Limited and associate company - The Cochin Malabar Estates and Industries Limited. Infomerics has taken a consolidated view of these entities.

The ratings assigned to the bank facilities of SVPL considers long experience of the promoters in the tea industry, regular support from promoter group, geographic and product diversification coupled with favourable location of tea gardens, and moderate capital structure. The ratings are, however, constrained on account of a decline in topline and profit, fragmented and competitive nature of industry, agro climatic risk, volatility associated with tea prices and labor intensive nature of industry.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in topline and profitability leading to rise in gross cash accruals on a sustained basis.

Downward Factors

- Dip in operating income and/or moderation in profitability impacting the cash accruals and deterioration in debt protection metrics
- Deterioration in capital structure marked by overall gearing above unity.



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- Any major debt funded capex undertaken by the company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long experience of the promoters in the tea industry**

The company formerly named as Joonktollee Tea & Industries Limited was promoted by John Elliot Esq. in August, 1874. 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 since then the company has been under the management of Bangur group of Kolkata. The affairs of the company are looked after by Mr. Hemant Bangur who has experience of around two decades in the tea industry.

- **Regular support from promoter group**

The company has been reporting cash losses during the last five years. However, despite such losses, it has been able to timely service its debt servicing obligation by infusion of funds from its group companies. The promoters have demonstrated regular support in the past as well by way of infusion of funds through transfer of stake in group entities.

- **Geographic and product diversification coupled with favourable location of tea gardens**

The company has presence in East and South India as it has its estates situated in Assam, Karnataka and Kerala. Since the company is exposed to agro climatic risk, geographic diversification helps the company to mitigate the risk associated with any vagaries of nature or any epidemic which might impact any particular region. Further, the product profile of the company is moderately diversified as the group is involved in the business of tea, coffee and rubber. Majority of the tea gardens of the company are located in upper Assam which is well-known for its superior quality of tea due to its favorable climatic conditions and better soil structure thereby commanding a premium over industry average levels.

- **Moderate capital structure**

The capital structure of the company is satisfactory with overall gearing of 0.95x as on March 31, 2024, however, the same moderated from 0.70x as on March 31, 2023, due to increase in total debt led by higher bank borrowings coupled with a decline in networth as the company



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sustained net loss in FY24 (refers to period from April 2023 to March 2024). TOL/TNW was 1.37x as on March 31, 2024, compared with 1.05 as on March 31, 2023.

Key Rating Weaknesses

- **Decline in topline and profit**

Topline of the company has declined in FY23 (refers to period from April 2022 to March 2023) as well as in FY24, due to lower production coupled with lower realisation. TOI was Rs. 123.13 crore in FY22 (refers to period from April 2021 to March 2022), Rs. 114.6 crore in FY23 and Rs. 109.65 crore in FY24. In Q1FY25 though the topline increased to Rs. 27.43 crore up 9.08% y-o-y, but the company reported net loss of Rs. 8.10 crore. Led by a decline in topline coupled with high operating and fixed cost the company has been sustaining net losses for the past many years, which has eroded the net worth of the company. The company has, however, been consistently getting funds infusion in the form of intercorporate deposits from other companies in the Bangur Group. Infomerics believes that a sustained increase in topline line along with reversal to profitability will be a key rating factor going ahead.

- **Fragmented and competitive nature of industry**

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 10% are dominated by big corporate houses. This, coupled with the growing shift from loose to branded tea among consumers, would further intensify the competition for the company.

- **Agro climatic risk**

Majority of tea estates are located in Assam, which has witnessed erratic weather conditions in the past like droughts, pest attacks, heavy rainfall, delay in monsoon, floods and waterlogging etc. Such extreme weather fluctuations both in terms of temperature and rainfall impacts the growth of tea leaves. Accordingly, the company's profitability is highly susceptible to vagaries of nature.

- **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 will affect the company's profitability margins. Further, tea prices fluctuate widely with demand-supply imbalances arising out of both domestic and international scenarios.



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- **Labor 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 & 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.

Analytical Approach: Consolidated

For the purpose of rating we have considered consolidated financial statements of Shri Vasuprada Plantations Limited which includes its subsidiary and associate company. This is because these companies, are under control of same promoters and have financial linkages. The companies are Shri Vasuprada Plantations Limited, Keshava Plantations Private Limited and The Cochin Malabar Estates and Industries Limited.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Consolidation of companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity – Stretched

The liquidity position of the company remained stretched owing to cash losses being reported by the company. However, the company has been able to timely service its debt repayment obligations, with the help of infusion of funds in the form of intercorporate deposits from other companies in the Bangur Group. Further, the average utilization of CC limit stood moderate at ~46% for the last twelve months ended June 2024.



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About the company

Shri Vasuprada Plantations Limited (Formerly: Joonktollee Tea & Industries Limited) is engaged in manufacturing and cultivation of tea, coffee and rubber and belongs to Bangur Group. The company operates four exclusive tea estates spread in Assam, Karnataka; one exclusive coffee estate in Karnataka, one estate in Karnataka in which both tea and coffee are grown and one rubber estate in Kerala. The company is listed on the Bombay Stock Exchange (BSE) and Calcutta Stock exchange (CSE). As on 31st March 2024, the company has one wholly-owned subsidiary company namely, Keshava Plantations Pvt. Ltd. and one associate company namely The Cochin Malabar Estates and Industries Ltd.

Financials (Consolidated):

For the year ended/ As on*	(Rs. crore)			
	31-03-2023	31-03-2024	30-06-23	30-06-24
	Audited	Audited	Unaudited	Unaudited
Total Operating Income	114.64	109.65	25.15	27.43
EBITDA	-6.88	-7.05	-6.13	-5.44
PAT	-10.78	-6.59	-6.44	-8.10
Total Debt	75.52	79.58	-	-
Tangible Net Worth	107.66	91.69	-	-
EBITDA Margin (%)	-6.01	-6.43	-24.38	-19.82
PAT Margin (%)	-9.35	-5.93	-23.37	-28.84
Overall Gearing Ratio (x)	0.70	0.95	-	-
Interest Coverage (x)	-0.83	-1.15	-4.17	-2.84

* Classification as per Infomerics' standards

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)			
	31-03-2023	31-03-2024	30-06-23	30-06-24
	Audited	Audited	Unaudited	Unaudited
Total Operating Income	102.64	99.49	22.81	25.95
EBITDA	-7.98	-6.09	-6.23	-6.32
PAT	-9.63	-8.31	-6.39	-8.49
Total Debt	69.87	74.42	-	-
Tangible Net Worth (adjusted)	66.65	65.23	-	-
EBITDA Margin (%)	-7.78	-6.12	-27.33	-24.34
PAT Margin (%)	-9.29	-8.22	-25.49	-31.66
Overall Gearing Ratio (x)	1.05	1.14	-	-
Interest Coverage (x)	-1.11	-1.10	-4.77	-3.54



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** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024- 2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022
1.	GECL	Long Term	0.46	IVR Stable BB/	-	-	-
2.	Proposed Term Loan	Long Term	2.54	IVR Stable BB/	-	-	-
3.	Cash Credit	Long Term	30.00*	IVR Stable BB/	-	-	-
4.	WCDL	Short Term	17.00	IVR A4	-	-	-

**includes proposed cash credit of Rs. 4.00 crore*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL 1	-	-	-	Nov 2024	0.21	IVR BB/ Stable
GECL 2	-	-	-	Dec 2024	0.25	IVR BB/ Stable
Proposed Term Loan	-	-	-	-	2.54	IVR BB/ Stable
Cash Credit 1	-	-	-	-	15.00	IVR BB/ Stable
Cash Credit 2	-	-	-	-	5.00	IVR BB/ Stable
Cash Credit 3	-	-	-	-	6.00	IVR BB/ Stable
Proposed Cash Credit	-	-	-	-	4.00	IVR BB/ Stable
WCDL	-	-	-	-	17.00	IVR A4

Annexure 2: Facility wise lender details: len-vasuprada-plantations-sep24.pdf
(infomerics.com)

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



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Annexure 4: List of companies considered for consolidated analysis:

Name of the company	Relationship	SVPL's holding as on March 31, 2024	Consolidation Approach
Keshava Plantations Private Limited	Subsidiary	99.16%	Full Consolidation
The Cochin Malabar Estates and Industries Limited	Associate	24.68%	Full Consolidation

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.