No. CARE/KRO/RL/2022-23/1074

Shri Sayansiddha Das
Chief Financial Controller & Compliance Officer
Joonktollee Tea & Industries Limited
21 Strand Road
Kolkata
West Bengal 700001

June 20, 2022

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your Company for FY22, and the possible impact of the same on the credit profile of your company, our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	26.00 (Reduced from 31.00)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	15.01	CARE A4+ (A Four Plus)	Reaffirmed
Total Facilities	41.01 (Rs. Forty-One Crore and One Lakhs Only)		

2. Refer **Annexure 1** for details of rated facilities.

3. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by June 21, 2022, we will proceed on the basis that you have no any comments to offer.

4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities.

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

In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

8. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.

9. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,

Anushikha Kothari

Punit Singhania

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Encl.: As above

Disclaimer
The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

Annexure 1
Details of Rated Facilities

1. Long Term Facilities
1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	Yes Bank Ltd.	1.00	Repayable in equal quarterly installment ending on Sept 2022
	Total	**1.00**	

**O/s as on March 31, 2022*

1.B. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	ICICI Bank Ltd.	12.00	Cash Credit
2.	HDFC Bank Ltd.	8.00	
3.	Yes Bank Ltd.	5.00	
	Total	**25.00**	

Total Long Term Facilities : Rs.26.00 crore

2. Short Term Facilities
2.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Yes Bank Ltd.	15.00	Working capital demand loan
2.	HDFC Bank Ltd.	0.01	Working capital demand loan*
	Total	**15.01**	

**the company has already paid the entire outstanding balance of HDFC Bank however it has not shared No Dues Certificate.*

Total Short Term Facilities: Rs.15.01 crore

Total Facilities (1.A+1.B+2.A): Rs.41.01 crore

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Annexure-1
Press Release
Joonktollee Tea & Industries Limited

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[2]	Rating Action
Long Term Bank Facilities	26.00 (Reduced from 31.00)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	15.01	CARE A4+ (A Four Plus)	Reaffirmed
Total Bank Facilities	**41.01** **(₹ Forty-One Crore and One Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation in rating assigned to the bank facilities of Joonktollee Tea & Industries Limited (JTIL) take into account improvement in scale of operations of the company in FY22 on the back of increased sales volume albeit dip in profitability margins due to decline in tea prices. The rating also factors in improvement in capital structure of the company on account of fund infusion from promoters through rights issue in March 2022 despite reporting losses in FY22 and part repayment of unsecured loans from such proceeds.

The rating continues to be constrained by small scale of operations, fragmented & competitive nature of industry, susceptibility of the profitability to vagaries of nature and volatile tea prices coupled with labour intensive nature of business. The rating however derives strength from long experience of promoters in tea industry, regular fund support from the group, geographical and product diversification along with favorable location of tea gardens.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in scale of operations marked by TOI above Rs 200 crore on a sustained basis.
- Increase in PBILDT margin above 7% on a sustained basis.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Deterioration in capital structure marked by overall gearing above unity.
- Any major debt funded capex undertaken by the company.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations

India, being the largest producer of black tea, produced 1211.63 million kg during the FY22. However, production scale of JTIL remained small at 4.8 million kg in FY22. The small size restricts the financial flexibility of the company in times of stress and deprives it from the economies of scale.

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

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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 JTIL.

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, JTIL '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 JTIL profitability margins. Further, tea prices fluctuate widely with demand-supply imbalances arising out of both domestic and international scenarios.

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. Latest wage revision in Assam happened in May'21 from Rs.167/day to Rs 205/day. Any significant increase in wages with no corresponding increase in tea price realization and output may negatively impact the profitability margin in the future.

Key Rating Strengths

Long experience of the promoters in the tea industry

JTIL is promoted by the Bangur family of Kolkata who acquired the company in 1954. The affairs of the company are looked after by Mr. Hemant Bangur who has an experience of around two decades in the tea industry. Apart, from tea, rubber and coffee; the group also has presence in jute industry through its flagship company viz Gloster Limited.

Regular support from promoter group
JTIL 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 fund from its group companies of Rs 29.33 cr. in FY22 (12.50 cr in FY21). The promoters have demonstrated regular support in the past as well by way of infusion of funds through transfer of stake in group entities held by JTIL to other group entities.

Geographic and product diversification coupled with favourable location of tea gardens
JTIL has presence in East and 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 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 JTIL is involved in the business of tea, coffee and rubber accounting for 78%, 8% and 13% of total sales respectively in FY22.

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.

Improvement in scale of operations albeit losses incurred in FY22
The total operating income of JTIL increased by around 16% in FY22 to Rs 123.54 crore in FY22 on the back of increase in sales volume of tea. Despite increase in sales volume, the company has reported substantial decline in PBILDT margin from 5.16% in FY21 to 2.22% in FY22 on account of decline in sales realization of tea especially in H2FY22. Accordingly, the company has reported losses from Rs 9.56 crore in FY21 to Rs 14.82 crore in FY22.
The company has taken initiatives to fetch higher sales realization from South Indian tea estates through production of higher margin based orthodox and green tea from FY23 onwards. Hence, improvement in realization of tea especially from tea gardens in Karnataka & Kerala remains key monitorable.

Satisfactory capital structure
The capital structure of JTIL is satisfactory with overall gearing of 0.69x as on March 31, 2022 as against 0.96x as on March 31, 2021. Overall gearing has improved on account of reduction in debt levels due to repayment of term loans as well as unsecured loans from group companies coupled with lower utilization of working capital borrowings as on balance sheet date. The repayment of unsecured loans from group companies was funded out of the proceeds of right issue made by the company in March'22 amounting to ~Rs 25 crore. The issue of right shares led to increase in tangible networth despite reporting losses in FY22. Total Debt/GCA has though improved to -9.38x in FY22 (as against -21.76x in FY21) on account of decline in debt levels in FY22 but it continued to remain vulnerable due to cash losses reported. Continued support from promoters to fund losses and for servicing of debt repayment obligations remains key monitorable.

Industry Outlook
The domestic production of tea is expected to remain muted in CY2022 at around 1.3 million tonne. The growing popularity of tea and beverage cafes is expected to drive the increase in the domestic consumption in the coming years. Over and above to this, the online distribution channels and extensive branding exercise differentiating in terms of flavours, growing regions, etc., will also aid the demand growth. With busier lifestyles and a growing workforce, the ready to drink segment has the potential to drive demand. With respect to the export market, the demand is expected to witness the turmoil of ups and downs due to the impact of Russia-Ukraine war and economic crisis in Sri Lanka, during the first half of the CY2022. However, in the second half the year, the demand is expected to stabilize.

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. The liquidity is supported primarily out of infusion of equity funds amounting to around Rs.25 crore. Further, the average utilization of CC limit stood moderate at ~77% for the last twelve months ended April'22.

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) and Pranav Infradev Company Pvt Ltd and its associate the Cochin Malabar Estates and Industries Ltd (24.68%). While KPPL is engaged in manufacturing of Tea, other subsidiary does not have much of operations and have mostly real estate investments. Cochin Malabar Estates and Industries Ltd is also not operational. JTIL and its subsidiaries and associates have a common management and financial linkage.

Applicable Criteria
Criteria on Outlook and Credit Watch
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology – Manufacturing Companies
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Methodology: Consolidation
Rating Methodology: Notching by factoring linkages in Ratings

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 Limited" (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)-Consol	FY21(A)	FY22 (Abridged)	2MFY23 (A)
Total operating income	106.85	123.54	NA
PBILDT	5.51	2.74	NA
PAT	-9.56	-14.82	NA
Overall gearing (times)	0.96	0.69	NA
Interest coverage (times)	0.57	0.25	NA

A: Audited, NA: Not Applicable

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 instrument / 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 Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	25.00	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	-	Sep'22	1.00	CARE BB+; Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	-	15.01	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 (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	25.00	CARE BB+; Stable	-	1)CARE BB+; Stable (29-Jul-21)	1)CARE BB+; Stable (31-Aug-20)	1)CARE BB+; Stable (03-Jun-19) 2)CARE BB+; Stable (07-May-19)
2	Fund-based - LT-Term Loan	LT	1.00	CARE BB+; Stable	-	1)CARE BB+; Stable (29-Jul-21)	1)CARE BB+; Stable (31-Aug-20)	1)CARE BB+; Stable (03-Jun-19)
3	Fund-based - ST-Working Capital Demand loan	ST	15.01	CARE A4+	-	1)CARE A4+ (29-Jul-21)	1)CARE A4+ (31-Aug-20)	1)CARE A4+ (03-Jun-19)

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

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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	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Working Capital Demand loan	Simple

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.

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please click here

Contact us

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About CARE Ratings Limited:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**

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