India Ratings Affirms Shri Vasuprada Plantation's Debt at 'IND B+'; Outlook Stable

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India Ratings and Research (Ind-Ra) has rated Shri Vasuprada Plantation Limited (erstwhile Joonktollee Tea & Industries Limited)'s debt as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Non-convertible debentures NCDs#	-	-	-	INR500	IND B+/Stable	Affirmed
Preference shares	-	6	20 years*	INR250	IND B+/Stable	Affirmed

*From the date of allotment and subject to early repayment by the company
Details in Annexure

ANALYTICAL APPROACH: Ind-Ra has taken a consolidated view of SVPL and its subsidiaries - Keshava Plantations Pvt Ltd (100% stake), Pranav Infradev Company Pvt. Ltd. (100% stake) and The Cochin Malabar Estates & Industries Ltd. (a wholly-owned subsidiary of Pranav Infradev Company), together referred to as the group hereafter, while assigning the ratings. This is on account of the strong operational and strategic linkages among them. However, Ind-Ra continues to factor in the possibility of financial support to be provided by other Bangur group companies. The promoters have informed the agency that the promoters/other group entities will provide financial support, if required.

Key Rating Drivers

The ratings reflect the group's medium scale of operations. On a consolidated basis, the revenue fell to INR1,140 million in FY23 (FY22: INR1,224 million) due to a decline in tea production on the back of adverse climate conditions, despite an increase in realisation to INR194 per kg (INR167 per kg). During 1HFY24, the group achieved revenue of INR562.49 million. On a standalone basis, SVPL's revenue was INR508.58 million in 1HFY24 (FY23: INR1,022.32 million, FY22: INR1,120.42 million). Ind-Ra expects the revenue to increase in 2HFY24 owing to beginning of sale of orthodox tea.

The ratings also factor in the group's modest EBITDA margin of 2.31% in FY23 (FY22: 1.31%) due to an increase in other income. During FY23, SVPL liquidated 47.10% stake in its wholly-owned subsidiary M/s. Pranav Infradev Co. Pvt. Ltd. for INR147.29 million. The return on capital employed was negative 3% in FY23 (FY22: negative 3%). Ind-Ra expects the EBITDA margin to improve marginally due to the introduction of high-margin orthodox tea. On a standalone basis, SVPL's EBITDA margin was modest at 1.59% in FY23 (FY21: 1.1%) with a return on capital employed of negative 3% (negative 3%).

The ratings also reflect the group’s modest credit metrics as indicated by interest coverage (operating EBITDA/gross interest expenses) of 0.32x in FY23 (FY22: 0.15x) and net financial leverage (total adjusted net debt/operating EBITDAR) of 19.32x (46.37x). The improvement in the credit metrics was attributed to an increase in EBITDA to INR26.32 million in FY23 (FY22: INR16.09 million and a decline in the total debt to INR545.13 million (INR751.08 million). Ind-Ra expects the group’s credit metrics to remain at similar levels in FY24 in the absence of any debt-led capex. On a standalone basis, the credit metrics were modest with interest coverage of 0.23x in FY23 (FY22: 0.13x) and net financial leverage of 27.89x (51.0x).

Liquidity Indicator - Poor: The group's net working capital cycle was modest and elongated to 359 days in FY23 (FY22: 233 days) because of an increase in the inventory holding period to 366 days (234 days). On a standalone basis, the net working capital cycle stretched to 339 days in FY23 (FY22: 226 days). The company’s average utilisation of the fund-based limits was 74.7% during the 12 months ended October 2023. The group's cash flow from operations turned negative to INR126.98 million in FY23 (FY22: INR14.45 million) because of unfavourable changes in working capital. Consequently, the group's free cash flow remained negative and deteriorated further to INR180.41 million in FY23 (FY22: negative INR55.20 million). The group's cash and cash equivalents stood at INR36.68 million at FYE23 (FYE22: INR4.97 million). SVPL has scheduled repayments of INR106.73 million, INR88.88 million and INR0.27 million in FY24, FY25 and FY26, respectively, which will be met through infusion of funds through group companies in the form of inter-company deposits.

The ratings are further constrained by agro-climatic risks as tea and coffee production is dependent on climatic conditions. Additionally, the inherent cyclicality of the fixed-cost intensive tea industry, leads to variability in profitability and cash flows of bulk tea blenders.

However, the ratings are supported by the promoters’ more than two decades of experience in the tea and coffee business, as well as timely funding support from the promoters.

Rating Sensitivities

Positive: An improvement in the group’s scale of operations, leading to an overall improvement in the credit metrics and liquidity, all on a sustained basis, will be positive for the ratings,

Negative: A significant decline in the group’s scale of operations or any weakening/delay in receipt of financial support from group companies resulting in any decline in the liquidity or the interest coverage, all on a sustained basis, will be negative for the ratings.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on SVPL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra’s ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

Company Profile

SVPL is engaged in plantation of tea, coffee and rubber. The company operates five tea estates, one coffee estate and one rubber estate in northern and southern parts of India. The company’s registered office is located in Kolkata, West Bengal. SVPL is managed and promoted by the Bangur group.

CONSOLIDATED FINANCIAL SUMMARY

Particulars	FY23	FY22
Revenue (INR million)	1,140.33	1,224.11
EBITDAR (INR million)	26.32	16.09
EBITDAR margin (%)	2.31	1.31
Gross interest coverage (x)	0.32	0.15
Net leverage (x)	19.32	46.37
Source: SVPL: Ind-Ra		

STANDALONE FINANCIAL SUMMARY

Particulars	FY23	FY22
Revenue (INR million)	1,022.32	1,120.42
EBITDAR (INR million)	16.27	12.49
EBITDAR margin (%)	1.59	1.11
Gross interest coverage (x)	0.23	0.13
Net leverage (x)	27.89	51.45
Source: SVPL; Ind-Ra		

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

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Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook	
	Rating Type	Rated Limits (million)	Rating	22 September 2023	5 January 2023
Issuer rating	Long-term	-	-	WD	IND B+/Stable
NCDs	Long-term	INR500	IND B+/Stable	-	IND B+/Stable
Preference shares	Long-term	INR250	IND B+/Stable	-	IND B+/Stable

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating /Outlook
NCDs	INE574G07010	March 2023	9	March 2033	INR250	IND B+/Stable
Proposed NCDs	-	-	9	-	INR250	IND B+/Stable

Complexity Level of Instruments

Instrument Type	Complexity Indicator
NCDs	Low
Preference shares	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

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The Rating Process

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