

No. CARE/KRO/RL/2019-20/1205

Mr. Sayansiddha Das

CFO

Joonktollee Tea & Industries Ltd.

21, Strand Road

Kolkata-700001

West Bengal

May 31, 2019

**Confidential**

Dear Sir,

**Credit rating for Bank Facilities**

Please refer to your request for rating the bank facilities of your company.

2. The following ratings have been assigned by our Rating Committee:

Facilities	Amount (Rs. Crore)	Ratings <sup>1</sup>	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
<b>Total Facilities</b>	<b>70.00</b> <b>(Rupees Seventy Crore only)</b>		

3. Refer **Annexure I** for details of rated facilities.

4. The rationale for the rating will be communicated to you separately. 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 II. 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 03, 2019, we will proceed on the basis that you

have no comments to offer.

5. CARE 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.
6. CARE 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 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 so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
7. CARE 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.
8. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.
10. If you need any clarification, you are welcome to approach us in this regard.

Thanking you,



**(Uma Agarwal)**

Analyst

uma.agarwal@careratings.com

Yours faithfully,



**(Anil More)**

Senior Manager

anil.more@careratings.com

Encl.: As above

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo 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.

**Annexure I  
Details of Rated Facilities**

**1. Long-term facilities**

**1.A. Secured Rupee Term Loan**

Sr. No.	Banker	Amount (Rs.Crore)	Remarks
1.	Yes Bank	7.00	Repayable in 12 equal quarterly installment
2.	HDFC Bank	11.00	Repayable in equal quarterly installment end on 31st December,2021
	<b>Total</b>	<b>18.00</b>	

**1.B. Fund Based Limits-CC**

Sr. No.	Name of Bank	Fund Based Limits (Rs. crore)
1.	Yes Bank	5.00
2.	HDFC Bank	8.00
3.	ICICI Bank	12.00
	<b>Total Fund Based Limits</b>	<b>25.00</b>

**Total Long Term Facilities (1.A. +1.B.): - Rs.43.00crore**

**2. Short-Term Facilities**

**2.A. Working Capital Demand Loan**

Sr. No.	Name of Bank	Fund Based Limits (Rs. crore)
1.	Yes Bank	17.00
2.	HDFC Bank	10.00
	<b>Total Limits</b>	<b>27.00</b>

**Total Short term Facilities: - Rs.27.00 crore**

**Total Bank Facilities Rated: – Rs.70.00 crore (Rs.10.00crore)**

**Annexure II**  
**Joonktollee Tea & Industries Ltd**

**Ratings**

Facilities	Amount (Rs. Crore)	Ratings <sup>1</sup>	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
<b>Total Facilities</b>	<b>70.00</b> <b>(Rupees Seventy Crore only)</b>		

*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

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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 highly 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.

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## 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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo 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.

### 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-	LT	18.00	CARE BB+;	-	-	-	-



	Term Loan			Stable				
3.	Fund-based - ST-Working Capital Demand loan	ST	27.00	CARE A4+	-	-	-	-

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