

Press Release

Baghmar Tea Company Limited

October 16, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE BB-/ Outlook:Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 14.00 crore bank facilities of Baghmar Tea Company Limited (BTCL). The outlook is '**Stable**'.

BTCL, based at Kolkata, was incorporated in 1918. The company is engaged in the manufacturing and blending of tea at its own tea garden spread across 520 hectares in Upper Assam. The installed capacity stands at 16 lakh kg of CTC tea per annum. The business is led by Mr. Bajoria and family in Kolkata.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of BTCL for arriving at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Incorporated in 1918, BTCL has a long track record of operations of nearly 100 years. The company is led by Mr. Bajoria and family. The promoters possess extensive experience in the tea industry. Currently, the operations are headed by the fourth generation of the Bajoria family, Mr. Anand Bajoria, Mr. Dhruv Bajoria and Mr. Rajendra Bajoria. The company has maintained longstanding relationships with its customers and suppliers. The company is well supported by the second line of management. The operating income stood improved at Rs. 40.84 crore in FY2020 (Provisional) as against Rs. 32.29 crore FY2019 and Rs. 39.66 crore in FY2018. The revenues in 5MFY2021 stood at Rs. 21.00 crores approx. The operating margins of the company stood at 6.57 percent in FY2020 (Provisional) as against 6.65 percent in FY2019. The PAT Margins stood improved at 0.82 percent in FY2020 (Provisional) as against -0.58 percent in FY2019.

Acuité believes the company will be benefited from experienced promoters and establish presence over near to medium term.

- **Geographically well diversified**

The company primarily sells its tea in the domestic market (Assam, West Bengal, Kerala, Tamil Nadu, and Maharashtra) and through private players. Additionally, tea is also exported to Russia, Egypt, Australia, and the United Kingdom, among others. The domestic revenues stood at 70.00 percent and export revenues stood at 30.00 percent in the last three years ending FY2020.

Weaknesses

- **Average financial risk profile**

The company has an average financial risk profile marked by low net worth, high gearing and average debt protection measures. BTCL's net worth is stood low at Rs. 1.49 crore as on March 31,

2020 (Provisional) as against Rs. 1.14 crore as on March 31, 2019. The company has followed a moderately aggressive financial policy in the past, with its peak gearing stood at around 18.03 times as on March 31, 2019. The Interest coverage stood at 1.34 times as on March 31, 2020 (Provisional) as against 1.37 times as on March 31, 2019. NCA/TD stood at 0.05 times and DSCR stood at 1.23 times in FY2020 (Provisional).

- **Working capital intensive operations**

The Gross Current Assets (GCA) stood at high at 159 days in FY2020 (Provisional) as against 150 days in FY2019 and 112 days in FY2018. The receivables days stood higher at 69 days in FY2020 (Provisional) as against 56 days in FY2019 and 44 days in FY2018. The inventory days stood at 47 days in FY2020 (Provisional) as against 72 days in FY2019. Further, the working capital facility utilised by the company stood at 87.50 percent for the last six months ending August, 2020.

- **Volatility in tea prices and agro climatic conditions**

The company is exposed to fluctuations in the price of tea with changes in demand and supply in the domestic and international markets. Besides, the agro climatic conditions also have a bearing on tea, impacting profit margins. The same can be observed in previous years; however, in FY2021, the price of tea is higher owing to a shortage in supply due to the impact of COVID-19. Thus resulting in higher margins for the current year.

Liquidity Position: Adequate

BTCL's liquidity stood adequate, marked by net cash accruals of Rs. 0.94 crores as against repayment obligation of Rs. 0.52 crores in FY2020 (Provisional) and unencumbered cash and bank balances of ~Rs.0.39 crore as on March, 2020 (Provisional). The current ratio stood low at 0.78 times as on 31 March 2020 (Provisional) and Gross Current Assets (GCA) stood high at 159 days in FY2020 (Provisional). Further, the working capital facility utilised by the company stood at 87.50 percent for the last six months ending August, 2020.

Rating Sensitivities

- Improving scale of operations
- Working capital intensive operations
- Volatility in tea prices and detrition in liquidity profile

Outlook: Stable

Acuité believes that BTCL will maintain a Stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected revenues leading to a fall in the margins or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	40.84	32.29
PAT	Rs. Cr.	0.34	-0.19
PAT Margin	(%)	0.82	-0.58
Total Debt/Tangible Net Worth	Times	13.55	18.03
PBDIT/Interest	Times	1.34	1.37

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Jun-2020	Cash Credit	Long Term	7.00	ACUITE BB- (Downgraded; Indicative)
	Packing Credit	Short Term	7.00	ACUITE A4+ (Indicative)
12-Apr-2019	Cash Credit	Long Term	7.00	ACUITE BB (Indicative)
	Packing Credit	Short Term	7.00	ACUITE A4+ (Indicative)
05-Feb-2018	Cash Credit	Long Term	7.00	ACUITE BB/Stable (Assigned)
	Packing Credit	Short Term	7.00	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB-/Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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