

Dec 27, 2024 | Tea & Coffee

India Ratings and Research (Ind-Ra) has affirmed Shri Vasuprada Plantations Limited's (SVPL) debt instruments as follows:

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Non-convertible debenture	-		-	INR500	IND B+/Stable	Affirmed
Preference shares	-		-	INR250	IND B+/Stable	Affirmed

Analytical Approach

Ind-Ra continues to take a fully consolidated view of Shri Vasuprada Plantations Limited, its subsidiary: Keshava Plantations Pvt Ltd (KPPL; 100% stake), and associate company, The Cochin Malabar Estates & Industries Ltd. (24.68% stake), together referred to as the group, while assigning the ratings on account of the medium- to strong operational and strategic linkages among them. The entities have a same business profile and a common management. KPPL is a wholly owned subsidiary. Ind-Ra has not consolidated Gloster Limited on account of weak linkages.

Detailed Rationale of the Rating Action

The ratings reflect SVPL's small scale of operations, modest EBITDA margins and credit metrics, poor liquidity, and cyclicity and climatic risks. In FY25, Ind-Ra expects the revenue to grow, EBITDA margins to improve and credit metrics to stay at similar levels. The ratings are supported by the promoters' more than two decade of experience in the tea and coffee industry.

List of Key Rating Drivers

Weaknesses

- Small scale of operations
- Modest EBITDA margins
- Modest credit metrics
- Poor liquidity
- Cyclicity and climatic risks

Strengths

- Experienced promoters

Detailed Description of Key Rating Drivers

Small Scale of Operations: The group has a small scale of operations with its consolidated revenue declining to INR1,076 million in FY24 (FY23: INR1,140 million) and the EBITDA falling to negative INR90 million (negative INR74 million) due to a decrease in the sale of bought leaf tea and a decrease in the realisation per kg. During 1HFY25, the group achieved revenue of INR628 million and EBITDA of INR4.87 million. On a standalone basis, SVPL reported revenue of INR576 million in 1HFY25 (FY24: INR566.05 million). Ind-Ra expects the revenue to increase in 2HFY25, owing to growth in sales of its product Orthodox Tea.

Modest EBITDA Margins: On a consolidated basis, the group's EBITDA margins remained modest at negative 8.45% in FY24 (FY23: negative 6.57%) due to an increase in wages. The return on capital employed was negative 9% in FY24 (FY23: negative 8.1%). In FY25, Ind-Ra expects the EBITDA margin to improve marginally after the introduction of high margin product, Orthodox Tea. On a standalone basis, SVPL's EBITDA margins remained modest at negative 8.56% in FY24 (FY23: negative 6.57%) with a return on capital employed of negative 8.1% (negative 2.9%). |

Modest Credit Metrics: The ratings reflect the group's modest consolidated credit metrics with its gross interest coverage (operating EBITDA/gross interest expenses) remaining negative 1.49x in FY24 (FY23: negative 0.91x) and the net financial leverage (total adjusted net debt/operating EBITDAR) at negative 6.36x (negative 6.79x), due to the decrease in the EBITDA. Ind-Ra expects the group's credit metrics to remain at similar level in FY25. On a standalone basis, the credit metrics were modest with the interest coverage of negative 1.49x in FY24 (FY23: negative 1.17x) and net financial leverage of negative 6.41x (negative 5.41x).

Poor Liquidity: Please refer to the liquidity session below.

Cyclicality and Climatic Risks: 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.

Experienced Promoters: 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 and group companies.

Liquidity

Poor: The group's net working capital cycle remained elongated at 1,021 days in FY24 (FY23: 360 days) because of a sharp increase in the inventory holding period to 1,026 days (366 days). On standalone basis, net working capital cycle was 1,027 days in FY24 (FY23: 339 days). The company's average monthly peak utilisation of the fund-based limits was 69% during the 12 months ended October 2024. The group's cash flow from operations stood at negative INR139 million in FY24 (FY23: negative INR126 million). Consequently, the group's free cash flow remained negative at INR198 million in FY24 (FY23: negative INR180 million) on the back of lower inflows. The group's cash and cash equivalents stood at INR7.41 million at FYE24 (FYE23: INR36 million). During FY24, SVPL liquidated its 33.92% stake in its partially owned subsidiary M/s. Pranav Infradev Co. Pvt. Ltd. for INR122 million. SVPL has scheduled repayments of INR18.88 million and INR0.5 million in FY25 and FY26, respectively, which will be met through the infusion of funds through the group companies.

Rating Sensitivities

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

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

About the Company

SVPL operates five tea estates, one coffee estate and one rubber estate located in Northern and Southern Part of India. The company's registered office is in Kolkata, West Bengal. SVPL is managed and promoted by the Bangur group.

Key Financial Indicators

Consolidated

Particulars	FY24	FY23
Revenue (INR million)	1,076.15	1,140.33
EBITDAR (INR million)	-90.89	-74.88
EBITDAR margin (%)	-8.45	-6.57
Gross interest coverage (x)	-1.49	-0.91
Net leverage (x)	-6.36	-6.79
Source: SVPL; Ind-Ra		

Standalone financial summary:

Particulars	FY24	FY23
Revenue (INR million)	960.11	1,022.32
EBITDAR (INR million)	-82.16	-83.89
EBITDAR margin (%)	-8.56	-8.21
Gross interest coverage (x)	-1.49	-1.17
Net leverage (x)	-6.41	-5.41
Source: ABC; Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

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

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debenture	Low
Preference shares	Low

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

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating /Outlook
NCDs	INE574G07010	21 March 2023	9	21 March 2033	INR230	IND B+/Stable
Proposed NCDs	-	-	-	-	INR270	IND B+/Stable
Source: SVPL						

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Parent and Subsidiary Rating Linkage

Evaluating Corporate Governance

Corporate Rating Methodology

Guidelines on What Constitutes Non-Cooperation

The Rating Process

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