GOODRICKE GROUP LIMITED
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CIN-L01132WB1977PLC031054

To

Date: 21.11.2023

The Sr. General Manager,
Dept of Corporate Services
BSE Limited, P J Towers
Dalal Street
Mumbai — 400 001

BSE SCRIP Code — 500166

Dear Sirs,

Sub: Additional Details for Corporate Announcement filed under Regulation 30 of SEBI (LODR) Regulations, 2015

Ref : Your e-mail dated 21.11. 2023 seeking reason assigned by the rating agency for downgrading the credit rating.

In continuation to our earlier letter dated 20th November, 2023, intimating the revision of credit rating by ICRA, please find enclosed herewith the rating rationale assigned by the rating agency.

Kindly take this on record in terms of SEBI Circular no. CIR/CFD/CMD/4/2015 dated September 09, 2015.

Yours faithfully,
For GOODRICKE GROUP LIMITED.

ARNAB CHAKRABORTY
Digitally signed by ARNAB CHAKRABORTY
Date: 2023.11.21 15:39:56 +05'30'

(ARNAB CHAKRABORTY)
COMPANY SECRETARY

Encl: As above

November 20, 2023

Goodricke Group Limited: Ratings downgraded to [ICRA]A (Stable)/ [ICRA]A2+

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based – Term Loan	10.00	10.00	[ICRA]A (Stable); downgraded from [ICRA]A+ (Stable)
Long Term/Short Term – Fund Based – Cash Credit/WCDL	90.00	90.00	[ICRA]A (Stable)/ [ICRA]A2+; downgraded from [ICRA]A+ (Stable)/ [ICRA]A1
Long Term/Short Term – Non-Fund Based – Letter of Credit/Bank Guarantee	9.00	9.00	[ICRA]A (Stable)/ [ICRA]A2+: downgraded from [ICRA]A+ (Stable)/ [ICRA]A1
Total	**109.00**	**109.00**	

Rationale

Goodricke Group Limited (GGL) announced its quarterly results on November 9, 2023. The company's standalone operating income (OI) and operating profit (OPBDITA) declined to Rs. 243.8 crore and Rs. 41.1 crore, respectively in Q2 FY2024 from Rs. 284.4 crore and Rs. 60.4 crore, respectively in Q2 FY2023. In H1 FY2024, GGL's OI and OPBDITA stood at Rs. 411.3 crore and Rs. 45.5 crore, respectively vis-à-vis Rs. 485.4 crore and Rs. 73.8 crore respectively in H1 FY2023.

While arriving at the ratings, ICRA has considered the consolidated business and financial risk profiles of GGL along with its three other Group companies (as mentioned in Annexure- II). GGL is the flagship company of the Group, while the other companies are involved in the same line of business and have operational/ managerial/ financial linkages with GGL and other related entities of the Goodricke Group.

The ratings downgrade considers a sharp hike in wage rates along with a significant drop in realisations, which are likely to adversely impact the consolidated profits and cash flows of the Group in FY2024. The Group's profitability and debt coverage metrics deteriorated over the last two fiscals and are likely to worsen further in the current fiscal. There have been frequent hikes in wage rates for tea estate workers in North India in the recent years, including the hikes effected in the current year (both in West Bengal and Assam with effect from June 2023 and October 2023, respectively). This, coupled with crop losses due to adverse weather conditions and pest attacks in some of the estates mainly in Doors, continue to keep the Group's overall performance under pressure. Besides, a sharp decline in orthodox tea prices, along with some moderation in CTC prices in the current fiscal are likely to result in a net loss on a consolidated basis in FY2024. Nevertheless, the ratings continue to consider a significant premium fetched by the Group's teas over the North Indian auction prices owing to superior quality of the Group's produce. Besides, GGL has an established position in the bulk tea industry, with a sizeable scale of operation and has a diversified revenue stream, with packet tea and instant tea divisions along with export sales reducing its exposure to the risks associated with the domestic bulk tea industry, to some extent. The ratings also favourably factor in the conservative capital structure of the Group, despite an increase in the working capital borrowings in the current fiscal. However, the Group remains vulnerable to the risks associated with tea for being an agricultural commodity as well as the cyclicality inherent in the fixed-cost intensive tea industry that leads to variability in profits and cash flows of bulk tea producers. Domestic tea prices are influenced by international prices and hence the demand-supply situation in the global tea market, in ICRA's opinion, would continue to have a bearing on the profitability of Indian players, including the Goodricke Group.

The Stable outlook on the long-term rating reflects ICRA's expectations that GGL's established position in the tea industry with a sizeable scale and diversified revenue stream would continue to support its business profile. Absence of any major capex/acquisition or borrowing plans would continue to support the consolidated financial profile of the Group.

Key rating drivers and their description

Credit strengths

Established player in the bulk tea industry with a sizeable scale of operation– Incorporated in 1977, GGL is an established player in the tea business, with a total tea production of 18.9 million kg (mkg) in FY2023. Production from bought leaves accounted for around 16% of GGL's overall production in FY2023. The Dooars region accounted for 80% of GGL's total production in FY2023, followed by Assam with 18%, and the rest by Darjeeling. The Group's overall production stood at 30.1 mkg in FY2023, out of which the share of production from bought leaves was 11%.

Diversified revenue streams – GGL sells its produce through a combination of auction sales, private sales and exports. GGL also has a packet tea division, which accounted for 28% and 22% of GGL's standalone sales and the Group's consolidated sales, respectively, in FY2023. Though the packet tea sales declined in FY2023 compared to the previous fiscal, the Group is focussing on improving revenues and profitability from the segment. The company also derives a small portion of its revenue from instant tea. Exports accounted for around 19% of GGL's sales in FY2023 vis-a-vis around 12% in FY2022. While the export volumes declined in FY2021 and FY2022 mainly due to discontinuation of tea exports to Iran, the same improved in FY2023 on the back of an increase in exports to other countries. The share of exports in the Group's consolidated sales stood at 15% in FY2023.

Superior quality of tea, as evident from the premium price commanded by the Group's produce – The superior quality of tea of GGL and its Group companies results in a significant premium for its produce compared to the industry average. The average realisation of tea sold by GGL stood at Rs. 257/kg in H1 FY2024 compared to the North Indian auction average of around Rs. 200/kg during the same period, implying a premium of 29%. The premium for teas sold by other three Group companies (Koomber Tea Company Private Limited, Amgoorie India Limited and Stewart Holl (India) Limited) stood at 5%, 61% and 41%, respectively over the North Indian auction prices in H1 FY2024.

Conservative capital structure – The Group's capital structure remained conservative due to limited borrowings vis-a-vis its healthy tangible net worth, as reflected by a consolidated gearing of 0.2 times as on March 31, 2023. Out of the consolidated debt of Rs. 92.7 crore as on March 31, 2023, loans from related parties stood at Rs. 16.2 crore. The Group's working capital borrowings are likely to increase in the current fiscal. However, the Group's capital structure is likely to remain conservative in the absence of any plan for major debt-funded capex/acquisitions.

Credit challenges

Rise in wage rates and moderation in realisations continue to exert pressure on the profitability in the current fiscal – There have been frequent hikes in wage rates for tea estate workers in North India in the recent years, including the hikes effected in the current year (basic wages increased by Rs. 18 per man-day both in West Bengal and Assam with effect from June 2023 and October 2023, respectively). This, coupled with crop losses due to adverse weather conditions and pest attacks in some of the estates mainly in Doors, continue to keep the Group's overall performance under pressure. Besides, a sharp decline in orthodox tea prices and some moderation in CTC prices in the current fiscal are likely to result in a net loss on a consolidated basis in FY2024.

Risks associated with tea for being a cyclical agricultural commodity – Tea production depends on agro-climatic conditions, which subject it to agro-climatic risks. Moreover, tea-estate costs are primarily fixed, with labour-related costs, which are independent of the volume of production, accounting for the major portion of the production cost. Hence, the inherent cyclicality of the fixed-cost intensive tea industry leads to variability in profitability and cash flows of bulk tea producers, such as GGL.

Realisation in the domestic market remains vulnerable to export market performance of Indian tea – Exports play a vital role in maintaining the overall demand-supply balance in the domestic tea market, notwithstanding the large domestic consumption base that India has. Healthy export realisation is also crucial for maintaining domestic realisations as unremunerative prices in the export market may lead to exporters dumping the produce in the domestic market, which in turn would exert pressure on domestic prices despite the better quality of Indian tea. Discontinuation of exports of orthodox teas to Iran from India has led to a sharp fall in the Indian orthodox tea prices in the current fiscal, adversely impacting the Group's overall realisations.

Environmental and Social Risks

Environmental considerations: Tea, being an agricultural commodity, is susceptible to agro-climatic risks, with the production and quality of tea primarily dependent on rainfall, temperature and humidity. Among the different climatic factors, rainfall plays the most important role. Though these environmental factors pose supply-side risks, the demand side risks are largely protected as tea is one of the most popular, widely consumed and low-cost beverages. Adverse environmental conditions may potentially affect tea productivity, the extent of irrigation and pest control activities required, etc., thereby leading to revenue loss and/or an increase in the cost of production, in turn, resulting in margin contraction. ICRA considers such risks to be inherent in the tea production business.

Social considerations: Tea production is highly manpower intensive. A large proportion of the population, particularly women, is involved as workforce for tea production in the major tea producing regions in the country. The stakeholders of a tea production business include, inter alia, local communities and Government authorities, which influence the operating environment of the business. The wage rates for tea estate workers are regulated by the Government and are revised regularly as the level of wages and welfare costs for tea estate workers have significant socio-economic implications. Tea-estate costs are primarily fixed, with labour-related costs accounting for a significant portion of the production cost. Hence, any material increase in wage rates may adversely impact the cost structure of tea producers, impacting the margins. Shortage of workers, due to diminishing interest in the garden-based field work on the back of sociological changes, remains a concern.

Liquidity position: Adequate

The Group's consolidated debt repayment obligation (including lease liability) stands at ~Rs. 10 crore for FY2024 and ~Rs. 8 crore for FY2025. However, GGL's working capital limit has been enhanced by Rs. 20 crore in the current fiscal, and the undrawn limits stood at Rs. 57.5 crore as on September 30, 2023, on a consolidated basis. This along with absence of any major capex and moderate free cash balance (~Rs. 16.5 crore as on March 31, 2023) are likely to support the consolidated liquidity position, despite the likely deterioration in the consolidated cash flow from operations in the current fiscal.

Rating sensitivities

Positive factors – A significant improvement in the consolidated profitability and cash flows on a sustained basis may result in an upgrade of the ratings.

Negative factors – Continuing pressure on the consolidated profitability and cash accruals may negatively impact the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Bulk Tea
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of GGL with three Group entities (as mentioned in Annexure-II).

About the company

Goodricke Group Limited (GGL) was incorporated in 1977 and cultivates tea across 18 gardens at present. The company operates 22 factories including a processing factory with each tea garden, tea-blending units and an instant tea plant. The gardens, spread over an area of 10,311 hectare under cultivation, are located in West Bengal (73% and 9% of area under cultivation in Dooars and Darjeeling, respectively) and Assam (18% of area under cultivation). GGL is primarily a producer of the crush-tear-curl (CTC) variety of tea, which accounted for 93% of its total production in H1 FY2024, and the rest of the production is of orthodox variety. The Group has 29 tea estates with an area of 17,465 hectare under cultivation, almost equally spread over West Bengal and Assam. Camellia Plc, UK, is GGL's ultimate holding company, which through its subsidiaries, holds a 74% stake in the company and the rest is held by public shareholders.

Key financial indicators (audited)

GGL	Standalone				Consolidated*	
	FY2022	FY2023	H1 FY2023^	H1 FY2024^	FY2022	FY2023
Operating income (Rs. crore)	825.8	887.3	485.4	411.3	1,059.2	1,135.0
PAT (Rs. crore)	3.7	-0.9	45.2	31.6	8.3	7.7
OPBDIT/OI (%)	3.5%	1.8%	15.2%	11.1%	4.3%	3.0%
PAT/OI (%)	0.4%	-0.1%	9.3%	7.7%	0.8%	0.7%
Total outside liabilities/Tangible net worth (times)	1.0	1.1	1.1	1.3	0.8	0.9
Total debt/OPBDIT (times)	1.4	4.2	-	-	1.5	2.7
Interest coverage (times)	5.0	2.9	27.0	10.2	5.7	4.4

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; *ICRA estimates; ^Unaudited*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2023 (Rs. crore)	Date & Rating in	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
					Nov 20, 2023	Jan 11, 2023	Dec 27, 2021	Nov 23, 2020	Oct 27, 2020
1	**Term loans**	Long term	10.0	5.9	**[ICRA]A (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]AA- (Stable)**	**[ICRA]AA- (Stable)**	**[ICRA]AA- (Stable)**
2	**Cash Credit/ WCDL**	Long term and short term	90.0	-	**[ICRA]A (Stable)/ [ICRA]A2+**	**[ICRA]A+ (Stable) / [ICRA]A1**	**[ICRA]AA- (Stable)/ [ICRA]A1+**	**[ICRA]AA- (Stable)/ [ICRA]A1+**	**[ICRA]AA- (Stable)/ [ICRA]A1+**
3	**Letter of Credit/ Bank Guarantee**	Long term and short term	9.0	-	**[ICRA]A (Stable)/ [ICRA]A2+**	**[ICRA]A+ (Stable) / [ICRA]A1**	**[ICRA]AA- (Stable)/ [ICRA]A1+**	**[ICRA]AA- (Stable)/ [ICRA]A1+**	**[ICRA]AA- (Stable)/ [ICRA]A1+**

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
Long-term/ Short-term – Fund-based (Cash Credit / WCDL)	Simple
Long-term/ Short-term – Non-fund based (Letter of Credit / Bank Guarantee)	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: Click Here

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan	Mar 2019	NA	Dec 2028	10.00	[ICRA]A (Stable)
NA	Cash Credit/ WCDL	NA	NA	NA	90.00	[ICRA]A (Stable)/ [ICRA]A2+
NA	Letter of Credit/ Bank Guarantee	NA	NA	NA	9.00	[ICRA]A (Stable)/ [ICRA]A2+

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Koomber Tea Company Private Limited	-	Full Consolidation
Amgoorie India Limited	-	Full Consolidation
Stewart Holl (India) Limited	-	Full Consolidation

Source: company

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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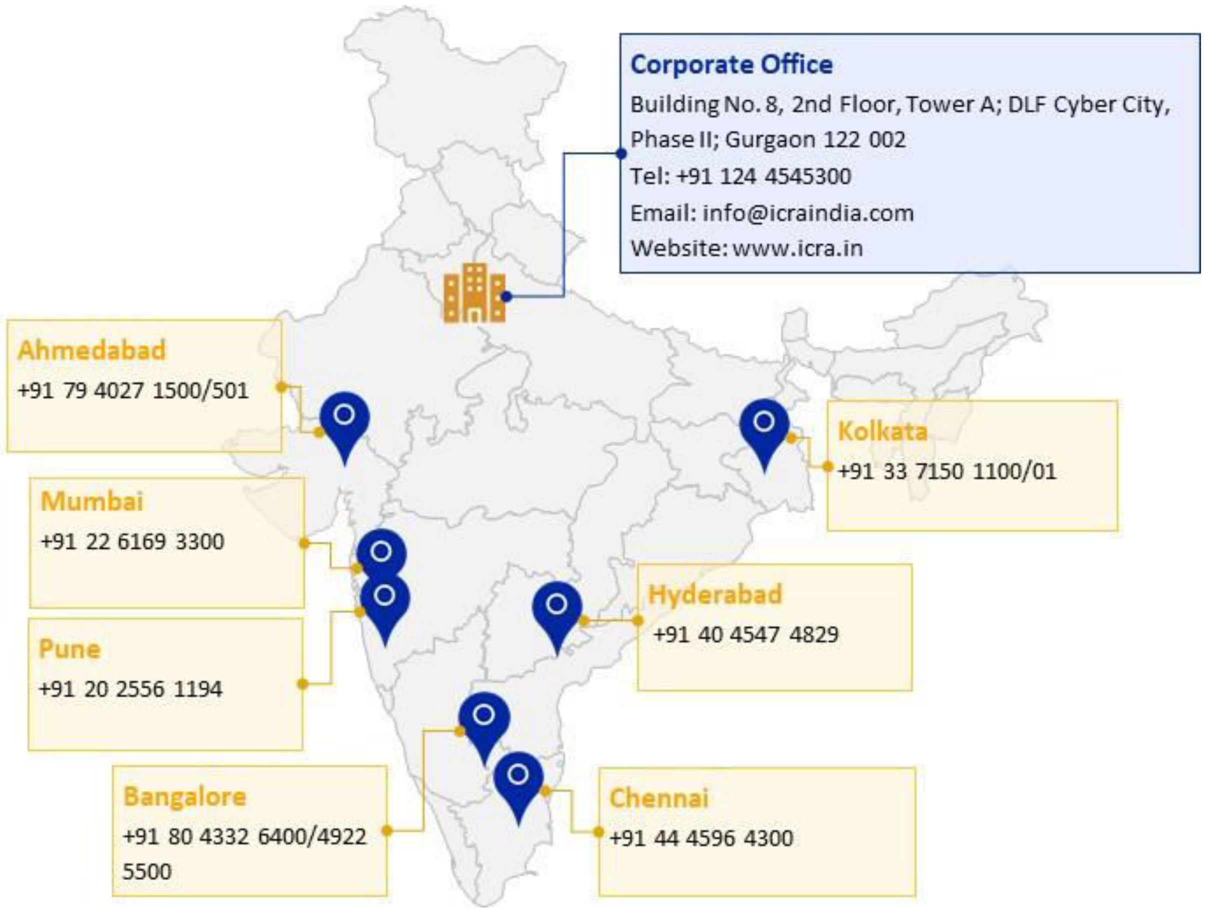

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