



KANCO TEA & INDUSTRIES LIMITED

Registered Office : "Jasmine Tower", 3rd Floor
31 Shakespeare Sarani, Kolkata - 700 017, India, Telefax : 2281-5217
E-mail : contact@kancotea.in, Website : www.kancotea.in
Corporate Identity Number (CIN)-L15491WB1983PLC035793

Ref: KTIL /Regulation 30/21-22

21st October, 2021

To,
The Manager,
Corporate Affairs Department,
Bombay Stock Exchange Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001

Scrip Code/ID-KANCOTEA/541005

Dear Sir,

**Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements),
Regulations, 2015**

This is with reference to Regulation 30 (6) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (the "Regulations"), as amended. Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to Rs.38.92 Cr bank facilities of Kanco Tea and Industries Limited (KITL). The outlook is '**Stable**'. In accordance with the said Regulation(s), please find below the details of revision in ratings for the Company:

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Limits – Term Loan	11.25	12.32	ACUITE BBB-/Stable (Assigned)
Fund-based Limits – Term Loan-WCDL	6.00	6.00	ACUITE BBB-/Stable(Assigned)
Fund-based Limits – Cash Credit	20.00	20.00	ACUITE BBB-/Stable(Assigned)
Non-Fund based Limits – LC/ BG	0.60	0.60	ACUITE A3(Assigned)
Total	37.85	38.92	

The report from the credit rating agency covering the rationale for revision in credit rating is enclosed.

Thanking you,
For **Kanco Tea & Industries Limited**

Charulata Kabra
Company Secretary and Compliance Officer
Membership No: F9417

Encl:a/a

Press Release

Kanco Tea and Industries Limited

October 21, 2021

Rating Assigned

Total Bank Facilities Rated*	Rs.38.92 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to Rs.38.92 Cr bank facilities of Kanco Tea and Industries Limited (KITL).The outlook is '**Stable**'.

The rating on KITL takes into cognizance the improving business risk profile of the company as reflected from its increasing revenue trend coupled with healthy profitability. Further, it is also supported by the management's long track record in the sector and efficient working capital management. The rating draws comfort from the adequate liquidity position of the company. These strengths are however, partly offset by the moderate financial risk profile and the volatility in tea prices and agro climatic conditions.

About the company

Incorporated in 1983, Kanco Tea & Industries Limited (KITL) is a Kolkata based company promoted by Mr. Umang Kanoria and Mrs. Anuradha Kanoria. The company primarily produces black tea of CTC (crush, tear, curl) variety, which it sells in the domestic market through a mix of auction and private sales. The company owns three tea estates in the upper valleys of Assam named as Mackeypore, Bamonpookrie and Lakmijan. The company has an installed capacity of 40 lacs kg per annum for black tea with yield of around 1400 to 1500 kg per hectare.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of KITL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long operational track record and experienced management**

KITL has a long operational track record of more than thirty five years in the tea manufacturing business. Acuite believes that the long operational track record of the company has helped it to mechanize the operations like plucking, uprooting and spraying of pesticides which has improved labour productivity and reduced cost. The day to day operations of the company are managed by Mr. Umang Kanoria and Mrs. Anuradha Kanoria, who are the promoter directors and is associated with the company since inception. In addition to this, the operations are managed by experienced professionals having associated with the company over two decades. Acuite derives comfort from the experience of the directors and top management of the company.

- **Improvement in business risk profile buoyed by significant increase in operating income and profitability**

The business risk profile of the company has witnessed an improving trend backed by significant increase in operating income and profitability margins. The improvement is primarily due to the higher domestic demand which resulted in a better average realization.

The company has achieved revenues of Rs.81.72 Cr in 2021 as compared to revenues of Rs.59.87 Cr in FY2020 thereby registering a y-o-y growth of 36.50 per cent. The operating margin of the company stood at 18.85 per cent in 2021 as compared to 3.30 per cent in the previous year. The PAT margins stood at 10.16 per

cent in 2021 as against losses in previous year. The ROCE levels stood at a comfortable level of about 18 per cent in 2021 as against 0.35 per cent in FY2020.

Acuité believes that the company's business risk profile would improve over the medium term backed by their domain expertise.

- **Efficient working capital management**

The efficient working capital management of the company is marked by Gross Current Assets (GCA) of 71 days in 31st March 2021 as compared to 67 days in 31st March 2020. The GCA days are at low level on account of low inventory levels and debtor levels during the same period. The inventory holding stood at 22 days in 31st March 2021 as against 22 days on 31st March 2020. Further, the debtor period stood comfortable at 8 days in 31st March 2021 as compared to 10 days in 31st March 2020. Acuité believes that the working capital operations of the firm will remain efficient as evident from efficient collection mechanism and low inventory levels over the medium term.

Weakness

- **Moderate financial risk profile**

The company's financial risk profile is marked by modest networth, moderate gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.31.89 Cr as on March 31, 2021 from Rs.22.93 Cr as on March 31, 2020. Gearing of the company stood moderate at 1.18 times as on March 31, 2021 as against 1.83 times as on March 31, 2020. The debt of Rs.37.70 Cr consists of term loan of Rs.15.12 Cr, working capital from the bank of Rs.10.48 Cr, unsecured loan of Rs.8.25 Cr and current maturity of term loan of Rs.3.85 Cr as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.59 times as on March 31, 2021 as against 2.38 times as on March 31, 2020. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio at 3.31 times as on March 31, 2021 and Debt Service Coverage Ratio (DSCR) at 2.18 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.28 times as on March 31, 2021. Acuité believes that going forward the financial risk profile of the company will improve over the medium term, in the absence of any major debt funded capex plans.

- **Volatile tea prices and agro climatic conditions**

The prices of tea are linked to the auctioned prices and further to prices of tea in the international market. Significant price movements in the international market may affect the company's profitability margins. Further, tea prices fluctuate widely with demand-supply imbalances in the domestic and international market. Tea is a perishable product and demand for it is relatively priced inelastic as it caters to all segments of society. While demand has a strong growth rate, supply can vary depending on climatic conditions in the major tea growing countries. Unlike other commodities, tea price cycles have no linkage with the general economic cycles, but with agro-climatic conditions.

Rating Sensitivity

- Sustenance in revenue growth and profitability margins
- Improvement in capital structure

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.10.59 Cr as on March 31, 2021 as against long term debt repayment of Rs.2.54 Cr over the same period. The fund based limit remains utilised at 45 per cent over the thirteen months ended August, 2021. The company has not availed loan moratorium, but availed additional Covid loan of Rs. 6 Cr. The cash and bank balances of the company stood at Rs.2.30 Cr as on March 31, 2021 as compared to Rs.1.39 Cr as on March 31, 2020. However, the current ratio stood weak at 0.56 times as on March 31, 2021 as compared to 0.37 times as on March 31, 2020. The low current ratio is inherent to the tea industry mainly on account of high creditor days in the year end where the company incurs pruning and other cultivation related works before start of the tea season. Further

chemicals and other materials are also procured at large during the period. The working capital management of the company is efficient marked by Gross Current Assets (GCA) of 71 days in 31st March 2021 as compared to 67 days in 31st March 2020. Acuite believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuite believes that the outlook on KITL will be 'Stable' over the medium term on account of the long track record of operations, experienced management, improvement in business risk profile and efficient working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or further elongation in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	81.72	59.87
PAT	Rs. Cr.	8.30	(2.59)
PAT Margin	(%)	10.16	(4.33)
Total Debt/Tangible Net Worth	Times	1.18	1.83
PBDIT/Interest	Times	3.31	0.53

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

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)

Not Applicable

*Annexure – Details of instruments rated

Lender name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/ Outlook
Punjab National Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-/Stable (Assigned)
Punjab National Bank	Term Loan	29-03-2017	12.60%	31-03-2024	12.32	ACUITE BBB-/Stable (Assigned)
Punjab National Bank	WCDL	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB-/Stable (Assigned)
Punjab National Bank	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A3 (Assigned)
Punjab National Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A3 (Assigned)