



# INDIAN BULK TEA INDUSTRY

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**Robust tea prices, a result of sizeable crop loss, to drive healthy performance of bulk tea entities in FY2025; sector outlook revised to Stable**

**DECEMBER 2024**





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ICRA estimates NI estates to witness an average increase in realisation of ~Rs. 45-50/kg in FY2025 on a YoY basis.

Wage rates for NI-based players are expected to rise in the next fiscal. The base case assumes an increase in cost of production by Rs 10-12/kg.

While operating profitability of NI bulk tea producers may improve significantly in FY2025, it is likely to moderate in FY2026, a result of wage rate impact and softening tea prices.



▪ **The performance of domestic bulk tea entities may improve significantly in FY2025, driven by a sharp rise in tea prices.** While margins are expected to moderate in FY2026 due to an anticipated revision in wage rates following a pause in the current fiscal and a projected softening of tea prices, OPBDITA/kg may stay within ICRA's threshold for a stable outlook. Hence, the outlook for the bulk tea industry has been revised to Stable from Negative.



▪ **North India (NI) average auction price for CTC\* tea surged by ~ Rs 48/kg (~25% YoY) in 8M FY2025 due to a supply-demand gap, driven by a ~37 Mkg\*\* (~4% in 7M FY2025) drop in CTC production and higher exports.** While prices have softened in recent auctions, with 65–70% of teas already sold, CTC prices are expected to stay elevated by ~ Rs 40-45/kg for the full fiscal, significantly boosting bulk tea producers' margins.



▪ **NI orthodox (ODX) tea prices rose by ~ Rs 68/kg (~30%) in 8M FY2025, driven by strong demand from importing nations and reduced global supply due to Sri Lanka's lower ODX tea output.** With international supply remaining tight, demand for Indian ODX teas will stay robust, supporting such prices, going forward. However, any escalation of geopolitical tensions in West Asia, the major consumer of ODX teas, will remain a key monitorable.



▪ **India's black tea production in CY2024 is projected to decline by ~100 Mkg (~7% YoY), with output already trailing by ~66 Mkg (~5.6%) as of 10M CY2024.** The Tea Board of India's (TBI) directive to halt production from end November 2024 is expected to further lower output. This reduced production, coupled with low carryover inventory, is likely to support strong tea prices during the early part of 2025, till May-June 2025.



▪ **West Bengal and Assam implemented wage hikes in June 2023 and October 2023, respectively. However, no further wage increases have occurred so far in the current fiscal, providing temporary relief to the bulk tea industry.** Looking ahead, an anticipated wage revision in the next fiscal is expected to pressure the cost structure.



▪ **In FY2025, the firm tea prices are likely to offset the impact of loss in tea production to a large extent. The bulk tea producers are projected to report OPBDITA/kg of ~Rs 30/kg in FY2025, compared to losses reported in FY2024.** However, the same is expected to moderate to ~Rs 16/kg in FY2026, with expected increase in wage rates and softening of tea prices to an extent. The coverage indicators may remain moderate for the sector.

\*CTC here refers to teas undergone the Crush, Tear, Curl process; \*\*Million Kilograms

## 1 Outlook for bulk tea companies



## 2 Trend in tea prices



## 3 Trend in global and domestic production



## 4 Trend in Exports



## 5 Cost Analysis



## 6 Industry Financials



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### ICRA Ratings Bulk Tea Industry





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