

December 17, 2025

Tata Coffee Limited: [ICRA]AAA (Stable)/ [ICRA]A1+; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term/ Short-term – Fund based – Working capital	95.00	[ICRA]AAA (Stable)/ [ICRA]A1+; assigned
Short term – Non-fund based – Bank guarantee	5.00	[ICRA]A1+; assigned
Long term/ Short-term – Unallocated limits	100.00	[ICRA]AAA (Stable)/ [ICRA]A1+; assigned
Total	200.00	

*Instrument details are provided in Annexure I

Rationale

The ratings assigned factor in Tata Coffee Limited's (TCL) strong parentage for being a wholly-owned subsidiary of Tata Consumer Products Limited (TCPL, rated at [ICRA]AAA/Stable/[ICRA]A1+), TCL's strategic importance to TCPL, high reputation sensitivity accompanied by business synergies and strong managerial linkages between them. TCL benefits from its established position as the leading coffee plantation company in India, supported by a long track record and strong brand recognition. TCL's sales of coffee beans are mainly made to related parties, which limits offtake risks and provides stability to its revenue. Besides, the ratings factor in TCL's robust financial profile, characterised by a conservative capital structure, healthy earnings and strong financial flexibility, further aided by its status of being a part of the Tata Consumer Group.

TCL's profitability improved significantly from FY2024, aided by a surge in coffee prices due to production disruption in major coffee producing hubs globally. However, the company would remain vulnerable to agro-climatic risks inherent in the plantation business, which is cyclical in nature. Any significant drop in yield due to adverse climatic conditions, pest attacks etc. could potentially impact TCL's profitability as the estates have high fixed expenses. The company is also exposed to price fluctuation risks of agro commodities, though such risks are partially mitigated by hedging through derivatives and moderate crop diversity, as TCL also has a few tea estates, and it produces secondary crops like pepper, etc. in the coffee and tea estates. Additionally, the labour-intensive nature of operations exposes TCL to risks related to the availability of skilled workforce and potential wage rate hikes. Significant stocking requirement in the harvest season, as inherent in the business, leads to high working capital intensity of TCL's operation, however, the company's healthy cash accruals would limit its reliance on external borrowings.

The Stable outlook on the long-term rating reflects ICRA's opinion that TCL's earnings will remain healthy, notwithstanding a potential variation in profitability due to fluctuation of yield and crop prices. The share of TCPL's non-branded coffee beans business in its overall revenue remains low, however, ICRA expects TCL to remain strategically important to TCPL as the captive source of high-quality coffee beans, ensuring continuing linkage with the parent.

Key rating drivers and their description

Credit strengths

Strong parentage with significant managerial linkages and strategic importance of TCL to its parent – TCL has a strong parentage for being a wholly-owned subsidiary of TCPL. TCPL procures coffee beans from TCL and primarily exports the same to overseas roasters, which form a part of TCPL's non-branded business in the international markets. Though this segment's revenue share for TCPL is small, TCL remains strategically important to TCPL as the captive source of top-quality coffee beans. Additionally, there are significant managerial linkages between the two entities. With TCL's strong earnings at present, the

company is not expected to require additional financial support from its parent in the near term. Nevertheless, TCL will keep benefiting from its managerial and operational ties with its parent, as well as having access to the promoter Group's resources and funding if any need arises.

Established position as the leading coffee plantation company in India – The coffee plantation business is characterised by its fragmented nature with the presence of numerous small and unorganised players. TCL is the largest coffee plantation company in India with around 8,000 hectares under coffee cultivation, which accounts for around 2% of India's total area under coffee plantations. It grows both Arabica and Robusta coffee in its own plantations, with around 22% of its production comprising Arabica and around 78% Robusta. Besides production from own estates, the company procures coffee beans from other local estates. The share of bought coffee in its overall sales stood at 39% by volume and 36% by value in FY2025. The company's overall sales volume of coffee stood at 11,121 tonnes in FY2025. TCL also cultivates tea, pepper and other minor crops alongside coffee. Superior quality of the company's produce fetches high prices. All the coffee estates of the company have Rainforest Alliance certification, which requires compliance with a set of ecological and social criteria. This enhances acceptability of coffee produced by the company in the international markets.

Limited offtake risk due to sales of coffee beans mainly to related parties – TCL mainly supplies processed coffee beans (before roasting and grinding) to TCPL for its unbranded export business. The company also supplies roasted and ground coffee in small quantities to TCPL for the latter's branded coffee business in India and supplies roasted coffee beans to Tata Starbucks. Almost the entire coffee production of TCL is purchased by TCPL and Tata Starbucks, reducing TCL's offtake risks.

Robust financial profile with healthy earnings, conservative capital structure and strong financial flexibility, aided by Tata Group association – A sharp increase in coffee realisations on the back of a short-supply situation in the international market, coupled with strong pepper prices, led to a significant improvement in TCL's operating margin during FY2024 and FY2025, which reached the peak level of 24.8% in FY2025 (20.5% in FY2024 and 10.3% in FY2023). In FY2024, exceptional expenses of Rs. 50 crore towards stamp duty related to the group restructuring impacted its net profit in FY2024, which kept the ROCE at a moderate level of 8.5%. However, its ROCE improved significantly to 24.5% in FY2025. TCL's net cash accrual stood at Rs. 174.5 crore in FY2025 vis-à-vis Rs. 45.8 crore in FY2024. The company's healthy earnings are likely to sustain, despite variation in the profit margins to some extent in tandem with fluctuation in commodity prices and yield. Currently, the company has sanctioned fund-based working capital limits of Rs. 95 crore, which remains unutilised. TCL has optionally convertible preference share of Rs. 7.5 crore, subscribed by TCPL. There is no other long-term debt, except a nominal amount of lease liability outstanding as on March 31, 2025. Low debt and healthy tangible net worth led to a conservative capital structure. The company's TOL/TNW stood at 0.3 times as on March 31, 2025. Nominal debt service obligation vis-à-vis healthy earnings led to robust debt coverage metrics, as reflected by an interest coverage of 159.8 times and DSCR of 152.3 times in FY2025. The company's capital structure and debt coverage metrics are expected to remain strong, underpinned by robust earnings and limited reliance on external debt.

Credit challenges

Vulnerable to agro-climatic risks and inherent cyclicity associated with the plantation business – Production of coffee, tea and other crops depends on agro-climatic factors like rainfall pattern, temperature, pests and diseases, causing variation of yields, which lead to cyclicity in the business. Yield of Arabica remains significantly lower and is more sensitive to weather-related disruptions compared to Robusta. The company reported a 14% drop in the overall coffee output in FY2025, though the impact of a lower yield was offset by buoyant realisations. The company's sound cultivation practices (irrigation, pest control, etc.) support the plantation yields, to some extent. TCL is taking initiatives to improve yield of the tea segment which is incurring losses at present despite significant premium fetched by its tea compared to South Indian auction prices. Production of other crops like pepper are also expected to improve, going forward. However, its revenues and profits will remain vulnerable to the agro-climatic risks and cyclicity inherent in the plantation business.

Exposure to price fluctuation risk of agro commodities, though mitigated by partial hedging of coffee prices and moderate crop diversity – Agricultural commodity prices are subject to considerable volatility, influenced by factors such as cropping cycles, production levels, government policies, and global demand-supply dynamics. Since FY2024, coffee prices have remained strong. In FY2025, TCL experienced a 35% surge in coffee realisations due to supply shortages in international markets. This, combined with a 30% increase in timber and byproduct sales and higher overall sales volumes resulted in a 43% rise in the operating income for the year. During H1 FY2026, crop sales grew by 11% in value, driven by favourable price realisations, even though coffee and tea sales volumes declined on a YoY basis. Although average coffee prices moderated at times in H1 FY2026 after the sharp rally, monthly prices remained consistently higher on a YoY basis. Price fluctuations will continue to impact TCL's revenue and profitability. However, risks relating to coffee price movement are partially mitigated through derivatives. Additionally, the company's moderate crop diversity helps reduce exposure to price fluctuations. Tea and pepper each account for 9-10% of total crop sales, while timber and other byproducts, which are highly profit accretive, contributed about 16% to the operating income in FY2025, providing further stability against market volatility.

Risks related to availability of skilled workforce and wage rate hikes, given the labour-intensive nature of operations – The plantation business is highly fixed cost intensive, including employee expenses (with labour cost constituting a significant portion). Coffee realisations have remained favourable since FY2024, supporting the company's profitability, however, tea estates are incurring losses due to high wage costs, given the labour-intensive nature of operations and regular wage rate hikes as stipulated by the Government. Any adverse fluctuation in realisations would negatively impact the company's profitability due to sizeable fixed costs. TCL may also face challenges in securing a skilled workforce for its estates as enhanced living standards and ongoing urbanisation are resulting in a shift from agricultural work.

High working capital intensity – The company maintains elevated inventory levels at the end of each financial year, primarily due to the harvest cycles – October to December for Arabica coffee and December to March for Robusta. Coffee purchased during the harvest period, along with 80-85% of annual pepper output, remains in stock at year-end. Inventory levels gradually diminish following the harvest. As on March 31, 2025, inventory days stood at 342, compared to 383 in the previous year. This resulted in a high net working capital to operating income ratio of 64% in FY2024 and 51% in FY2025, highlighting substantial working capital requirements, especially during harvest seasons.

Liquidity position: Strong

TCL's liquidity profile is likely to remain strong. Its fund flow from operations is likely to remain healthy above Rs. 100 crore in the medium term, which is also likely to support its cash flow from operations, despite a significant stocking requirement primarily during the harvest season, which keeps the working capital intensity high. The company does not have any debt repayment obligation in the medium term. Its fund-based working capital limit of Rs. 95 crore is currently unutilised, providing additional liquidity back-up. TCL does not have any major capex or acquisition plan except normal capex for the plantation business, which is likely to remain in the range of Rs. 30-40 crore annually. The company had free cash and liquid investments of around Rs. 10 crore and inter-corporate deposits of around Rs. 50 crore as on March 31, 2025.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on the ratings could arise in case of continuous pressure on TCL's operating performance or a significant deterioration in its working capital cycle, adversely impacting its liquidity position on a sustained basis. The ratings may also be downgraded if there is any weakening of TCL's linkages with its parent, TCPL, or upon any material deterioration in the credit profile of the parent entity.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent: Tata Consumer Products Limited (TCPL; rated [ICRA]AAA (Stable)/[ICRA]A1+) The ratings assigned to TCL factor in the implicit support from its parent, TCPL, given TCL's strategic importance to TCPL, operational and managerial synergies between them, a track record of funding support and TCPL's reputation sensitivity to its wholly-owned subsidiary, TCL
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of the company

About the company

Tata Coffee Limited (TCL), incorporated in February 2022, is a wholly-owned subsidiary of TCPL. TCL is the largest coffee producing company in India. It also has a few tea estates. The company also cultivates pepper in coffee and tea estates. TCL has 18 coffee-cum-pepper estates, including 17 in Karnataka and one in Tamil Nadu. Additionally, it has one estate with both coffee and tea plantations (Merthikhan) in Coorg, Karnataka and six tea-cum-pepper estates of which four are in Tamil Nadu and one each in Karnataka and Kerala. The coffee and tea estates cover areas of nearly 8,000 hectares and 2,000 hectares, respectively. TCL also has a coffee curing/processing facility with a dry mill having capacity of 15,000 tonnes per annum (tpa), a pepper processing unit with a capacity of 1,200 tpa and two roasting and grinding facilities with a capacity of 1,000 tpa at Kushalnagar in Coorg, Karnataka.

Tata Coffee Limited, formerly known as TCPL Beverages and Foods Limited (TBFL), is a wholly owned subsidiary of TCPL. In FY2024, in accordance with a scheme of arrangement between TCPL, erstwhile Tata Coffee Limited and TBFL, the plantation business of erstwhile Tata Coffee Limited was demerged and transferred to TBFL immediately followed by amalgamation of the erstwhile Tata Coffee Limited, comprising of the remaining business, with TCPL. Further, pursuant to the scheme, the name of TCPL Beverages and Foods Limited was changed to Tata Coffee Limited with effect from February 02, 2024.

Key financial indicators (audited)

TCL (Standalone)	FY2024	FY2025
Operating income	500.7	716.8
PAT	40.6	155.6
OPBDITA/OI	20.5%	24.8%
PAT/OI	8.1%	21.7%
Total outside liabilities/Tangible net worth (times)	0.3	0.3
Total debt/OPBDITA (times)	0.5	0.0
Interest coverage (times)	19.4	159.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current ratings (FY2026)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Dec 17, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based – Working capital	Long term/ Short term	95.00	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	-	-	-	-
Non-fund based – Bank guarantee	Short term	5.00	[ICRA]A1+	-	-	-	-	-	-
Unallocated limit	Long term/ Short term	100.00	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/ Short-term – Fund based – Working capital	Simple
Short term – Non-fund based – Bank guarantee	Simple
Long term/ Short-term - Unallocated limit	Not applicable

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 analysing 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 are available on ICRA's website: [Click here](#)

Annexure I: Instrument

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based – Working capital	NA	NA	NA	95.00	[ICRA]AAA (Stable)/ [ICRA]A1+
NA	Non-fund based – Bank guarantee	NA	NA	NA	5.00	[ICRA]A1+
NA	Unallocated limit	NA	NA	NA	100.00	[ICRA]AAA (Stable)/ [ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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