

January 20, 2022

Kanco Tea & Industries Limited: Ratings withdrawn

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|-------------------------------------|-----------------------------------|----------------------------------|------------------------------|
| Fund-based Limits – Term Loan/ GECL | 17.25 | 17.25 | [ICRA]BB (Stable); Withdrawn |
| Fund-based Limits – Cash Credit | 20.00 | 20.00 | [ICRA]BB (Stable); Withdrawn |
| Non-fund Based Limits – LC/BG | 0.60 | 0.60 | [ICRA]A4; Withdrawn |
| Total | 37.85 | 37.85 | |

*Instrument details are provided in Annexure-1

Rationale

The long-term and short-term ratings assigned to the bank facilities of Kanco Tea & Industries Limited has been withdrawn at the request of the company and based on the no objection certificate received from the banker, and in accordance with ICRA's policy on withdrawal and suspension. However, ICRA does not have information to suggest that the credit risk has changed since the time the ratings were last reviewed.

The Key Rating Drivers, Liquidity Position, Rating Sensitivities have not been captured as the related instruments are being withdrawn. The previous detailed rating rationale is available at the following link: [Click here.](#)

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable Rating Methodologies | ICRA Policy on Withdrawal and Suspension of Credit Ratings Corporate Credit Rating Methodology Indian Bulk Tea Industry |
| Parent/Group Support | Not Applicable |
| Consolidation/Standalone | The ratings are based on the standalone financial statements of the company |

About the company

Incorporated in 1983, Dhanvaridhi Concerns Limited (DCL) started as an investment company. The tea division of Kanco Enterprises Limited (KEL), a Group company of Kanco Tea & Industries Limited (KTIL), was transferred to DCL on April 1, 2009 and the name of the company was changed to Kanco Tea & Industries Limited in April 2010. The company primarily produces black tea of crush, tear, curl (CTC) variety for selling in the domestic market through a mix of auction and private sales. KTIL's three gardens in upper Assam are spread over 2,499 hectares, of which around 64% is under tea cultivation.

Key financial indicators

| | FY2020 (Audited) | FY2021 (Audited) | H1 FY2021 (Unaudited) | H1 FY2022 (Unaudited) |
|--|------------------|------------------|-----------------------|-----------------------|
| Operating Income (Rs. crore) | 59.86 | 81.72 | 49.99 | 55.11 |
| PAT (Rs. crore) | -2.59 | 9.96 | 21.53 | 18.95 |
| OPBDIT/OI (%) | 3.28% | 20.88% | 50.35% | 33.68% |
| PAT/OI (%) | -4.33% | 12.19% | 43.07% | 34.39% |
| Total Outside Liabilities/Tangible Net Worth (times) | 2.00 | 3.00 | 1.41 | 1.18 |
| Total Debt/OPBDIT (times) | 22.63 | 2.42 | 0.83 | 1.06 |
| Interest Coverage (times) | 0.44 | 4.00 | 12.78 | 9.10 |

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: Kanco Tea & Industries Limited

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| | Instrument | Current Rating (FY2022) | | | | Chronology of Rating History for the past 3 years | | | |
|---|----------------------------------|-------------------------|--------------------------|--------------------------------|------------------------------|---|-------------------------------|---------------------------------|-------------------------|
| | | Type | Amount Rated (Rs. crore) | Amount Outstanding (Rs. Crore) | Date & Rating in FY2022 | Date & Rating in FY2021 | Date & Rating in FY2020 | | Date & Rating in FY2019 |
| | | | | | Jan 19, 2022 | Jan 14, 2021 | Mar 18, 2020 | Apr 05, 2019 | Jul 18, 2018 |
| 1 | Term Loan/ GECL | Long Term | 17.25 | - | [ICRA]BB (Stable); Withdrawn | [ICRA]BB (Stable) | [ICRA]BB (Negative) | [ICRA]BB+ (Negative) | [ICRA]BB+ (Stable) |
| 2 | Cash Credit | Long Term | 20.00 | - | [ICRA]BB (Stable); Withdrawn | [ICRA]BB (Stable) | [ICRA]BB (Negative) | [ICRA]BB+ (Negative) | [ICRA]BB+ (Stable) |
| 3 | Letter of Credit/ Bank Guarantee | Short Term | 0.60 | - | [ICRA]A4; Withdrawn | [ICRA]A4 | [ICRA]A4 | [ICRA]A4+ | [ICRA]A4+ |
| 4 | Untied Limits | Long Term/ Short Term | - | - | - | - | [ICRA]BB (Negative)/ [ICRA]A4 | [ICRA]BB+ (Negative)/ [ICRA]A4+ | - |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|----------------------|
| Long-term Fund-based – Term Loan | Simple |
| Long-term Fund-based – Working Capital | Simple |
| Short-term Non-Fund-based – Working Capital | 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: www.icra.in

Annexure-1: Instrument details

| ISIN No/ Banker Name | Instrument Name | Date of Issuance/ Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. Crore) | Current Rating and Outlook |
|-------------------------|--|-------------------------------|----------------|-------------------|-----------------------------|---------------------------------|
| NA | Cash Credit | - | - | - | 20.00 | [ICRA]BB (Stable); Withdrawn |
| NA | Term Loan | March 2017 | - | March 2026 | 12.33 | [ICRA]BB (Stable); Withdrawn |
| NA | Guaranteed Emergency Credit Line (GECL) | September 2020 | - | September 2025 | 4.92 | [ICRA]BB (Stable); Withdrawn |
| NA | Bank Guarantee/ Letter of Credit | - | - | - | 0.60 | [ICRA]A4; Withdrawn |

Source: Kanco Tea & Industries Limited

Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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