February 19, 2025

Luxmi Tea Company Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term - Fund-based –Term Loans	27.88	27.88	[ICRA]A+ (Stable); reaffirmed
Long-term - Fund-based – Cash Credit	88.50	88.50	[ICRA]A+ (Stable); reaffirmed
Short-term-Fund-based – Interchangeable**	(40.00)	(40.00)	[ICRA]A1; reaffirmed
Long term/ Short term -Non-fund-based –SBLC/LER	36.00	36.00	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed
Total	**152.38**	**152.38**	

**Instrument details are provided in Annexure I; **Sub-limit of Cash Credit (WCDL/EPC/Bill Discounting)*

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of the operational and financial profiles of Luxmi Tea Company Private Limited (LTCPL) along with its subsidiaries and step-down subsidiaries, including Obeetee Private Limited (OPL, rated at [ICRA]A+ (Stable)/[ICRA]A1) given the financial and managerial linkages among the entities. Earlier, ICRA had also considered TWE OBT Private Limited (TOPL, rated at [ICRA]A (Stable)/[ICRA]A2+) in the consolidated view. However, post change in shareholding pattern in TOPL, ICRA has not considered the same for the consolidated view in the current exercise. Nonetheless, ICRA has done the proportionate consolidation of TOPL in the shareholding % held by OPL, with the consolidated financials of LTCPL to arrive at the ratings.

The reaffirmation of the ratings considers the diversified business interests of the Group in tea (having tea estates in India and Africa), manufacturing and exports of handmade carpets, other floor covering items and furniture, real-estate and hospitality business, through various subsidiaries and step-down subsidiaries in India and abroad. LTCPL enjoys an established position in the domestic bulk tea industry with tea estates in Assam, Tripura and West Bengal. It also has presence in Rwanda, Africa with three tea estates under a foreign subsidiary, Silverback Tea Company Limited. The group had also acquired one garden in Rwanda in September 2024 in a separate subsidiary The total sales consideration is ~Rs 108 crore, and the production is likely to be around 4 Mkg on an annual basis, which is likely to further enhance the earnings from the tea segment. Besides, the ratings continue to consider the extensive experience of LTCPL's subsidiary, OPL, in the hand-knotted and hand-tufted carpet industry, its established network for procurement, sales and distribution, established relationships with its customers and tie-up with a large number of artisans for handmade carpets. ICRA also notes the high operational efficiency of the Indian tea business, as reflected by high yield and outturn ratio, and healthy profitability of the African tea estates. While reaffirming the ratings, ICRA has also considered the comfortable financial risk profile of the Group characterised by comfortable leverage (external debt, net of liquid investments) and debt-coverage indicators. While the financial performance was adversely impacted in FY2024 because of the deterioration in the profitability from the tea business besides sluggish export demand for woven products, the earnings is expected to significantly improve in the current fiscal. The improvement in domestic tea realisation, steady improvement in OPBDITA from the overseas tea business and increase in the carpet export volume through sharp improvement in the wallet share of the major clients remains the major contributors for higher earnings expected in FY2025. The performance is expected to remain healthy in the next fiscal year driven by improvement in profits from overseas tea gardens and steady performance in the carpet business. Consequently, the debt coverage indicators are expected to remain comfortable. The liquidity position remains healthy with consolidated liquid investment balance of Rs 200 crore as on 31 December 2024, which is expected to remain healthy in the current fiscal as well.

The ratings, however, are constrained by the Group's exposure to the risks associated with tea for being an agricultural commodity and inherent cyclicality of the fixed-cost intensive tea industry. It also remains susceptible to the fluctuation in raw material prices in the floor covering and furniture segments. The ratings also consider the Group's exposure to significant geographical concentration in the floor covering and furniture segments as the major portion of the exports is derived from the US. However, its established relationship with reputed clients and continuing diversification of the client base mitigates such risks to an extent. ICRA also considers the continuous challenges in the furniture business owing to new entrants in the segment. The furniture business revenue is expected to remain range-bound at Rs 80-85 crore in FY2025 with operating losses at Rs 9-10 crore. The ratings also consider the management intention to merge the furniture subsidiary (with its step-down subsidiaries) with OPL w.e.f. April 1, 2024. The same has already been approved by National Company Law Tribunal (NCLT) order dated dated January 09, 2025.

The Stable outlook on the long-term rating reflects ICRA's expectation that the Group's overall financial risk profile is likely to remain healthy with sizeable free liquid investments, a conservative capital structure and comfortable debt coverage metrics.

Key rating drivers and their description

Credit strengths

Diversified business interests of the Group mitigate sectoral concentration risks – The Group has a diversified business profile. The holding company, LTCPL, and its two other subsidiaries (Kalyani Tea Company Limited and Chandmani Tea Company Limited), manufacture tea in North India, while the foreign subsidiary, Silverback Tea Company Limited, holds three tea estates (Gisovu Tea Company Limited, Pfunda Tea Company Limited and Rugabano Tea Company Private Limited) in Africa. In FY2025, the Group has also acquired one more garden in Rwanda under its wholly owned subsidiary Luxmi Tea International FZ (Sorwathe). LTCPL's another subsidiary, OPL and other step-down subsidiaries are involved in manufacturing, trading and exports of handmade carpets,and furniture (manufactured by Manor & Mews Private Limited [MMPL]). Luxmi Township & Holdings Limited, a subsidiary of LTCPL, is involved in real estate development primarily in North Bengal, while LTCPL's foreign subsidiary, LUK Hospitalities Limited, operates two hotels in the UK. The diversified business interests mitigate the sectoral concentration risks and lend stability to the Group's revenue and bottomline, to some extent. The tea segment (Indian and African operations) and floor covering and furniture segments are the main revenue and profit drivers of the Group. In FY2024 these two segments accounted for ~46% and ~48% of the consolidated revenue, respectively. However, the real-estate segment is the cash cow of the Group, which aided in expanding the scale of operations of the tea business through sizeable acquisitions in FY2019 and FY2020.

Established market position in bulk tea and carpet industries – The overall tea production of the Group's tea estates in North India (including two estates under subsidiaries) stood at 19.6 million kg (Mkg) in FY2024. The three tea estates of Silverback Tea Company Limited in Rwanda, Africa (through Gisovu Tea Company Limited, Pfunda Tea Company Limited and Rugabano Tea Company Private Limited) recorded a total production of ~5.1 Mkg in CY2023. The Group's market position and scale of operations in the tea business increased significantly post FY2018 due to the acquisition of several tea estates in India and Africa, which improved the overall tea production to the current level from around 12.5 Mkg in FY2018. ICRA also notes LTCPL's focus on increasing packet tea sales under its own brands through both online and brick-and-mortar channels, which is likely to strengthen profitability of the segment, going forward.

The Group has a long track record of operations in the hand-tufted and hand-knotted carpet manufacturing business through Obeetee. The Group is one of the largest exporters of handmade carpets from India.

Good quality of tea produced and high operational efficiency mitigate business risks in the tea segment – Almost the entire production of LTCPL in FY2024 comprised the crush-tear-curl (CTC) variety. The company produces good quality CTC teas, as reflected by a considerable premium (24% in FY2024) fetched by the same over the North Indian CTC auction prices. LTCPL's average yield in North India remained high , supported by the favourable age profile of the tea bushes, with nearly 75% of the bushes being in the productive age of 5-50 years. LTCPL's comfortable realisations and high operational efficiency mitigate business risks to a large extent. The performance of the African tea estates remained strong, as reflected by a healthy operating margin of ~40% in CY2023, supporting the overall performance of the tea segment.

Long relationships with overseas buyers and artisans in the handmade carpet segment strengthen business profile – Obeetee has established relationships with its reputed overseas clients, which help in receiving repeat orders from its existing customers. The Group's established market presence also helps in securing orders from new customers. Tie-ups with various wool yarn manufacturers that regularly supply woollen yarn, along with established tie-ups with suppliers of other natural and man-made yarn support operations. The manpower intensive handmade carpet division has employed skilled artisans from Uttar Pradesh and Bihar. Besides, the segment has tie-ups with more than 25,000 artisans who perform the tufting and knotting activities on a contractual basis.

Comfortable financial profile with a conservative capital structure and adequate liquidity; debt coverage metrics to remain comfortable in current fiscal – The Group's capital structure remained conservative, as reflected by a consolidated gearing of 0.6-0.7 times since FY2020. Around 50% of the consolidated debt of Rs. 818 crore as on March 31, 2024 comprised unsecured loans from entities controlled by promoters/other shareholders. A large portion of the fund and the sizeable liquid investments (~Rs. 200 crore as of 31st December 2024) had originated from Luxmi Township, the real-estate entity, strengthening the Group's liquidity position. While the coverage indicators were adversely impacted in FY2024 led by margin contraction, the significant improvement in earnings in FY2025 is likely to result in a significant improvement in the debt coverage indicators in the current fiscal. The adjusted interest coverage ratio[1] is expected to remain >7.0 times in FY2025 compared to 3.2 times achieved in FY2024.

Credit challenges

Risks associated with tea for being an agricultural commodity and inherent cyclicality of the fixed-cost intensive tea industry – The tea segment's garden costs are largely fixed, with labour costs accounting for the major part of the cost of production. The production and quality of tea remain vulnerable to agro-climatic conditions, pest attacks etc. Besides, the tea players remain exposed to volatility in prices due to cyclicality in demand-supply situation in the domestic and international markets, which may adversely impact profitability, given the fixed-cost intensive nature of the business. Besides, there have been frequent hikes in wage rates for tea estate workers in North India in the recent years, adversely impacting the cost structure. In FY2024, the significant increase in wage rates along with subdued realisation adversely impacted the earnings of the domestic tea business. However, with improvement in realisation, the performance is expected to improve in the current fiscal.

Significant geographical concentration in the floor covering and furniture segments – The major portion of the Group's sales from the floor covering segment is derived from the US. Around 73% of OPL's sales in FY2024 was derived from the US. The US also accounts for a significant portion of the Group's furniture sales. This exposes the floor covering and furniture segment to geographical concentration risk. However, the Group's increasing product and customer diversification partially mitigates such risks. The forex risk arising from significant exports is partially hedged by forward contracts.

Modest profitability of the furniture segment, however, the segment's performance is likely to improve, going forward – Owing to challenging market condition, the furniture business witnessed pressure in FY2024, resulting in a decline in operating income (Rs 80 crore in FY2024 compared to Rs 94 crore in FY2023). In the current fiscal, its profitability is likely to moderate on the back of muted turnover growth due to low export demand.

[1] *Considering return on liquid investment with OPBDITA and adjusting Group level interest cost from Int & financial charges*

Liquidity position: Adequate

The Group's liquidity position is expected to remain adequate, with cash flows from operations along with available liquidity of Rs 200 crore as on 31st December 2024 to remain comfortable to meet the debt repayment requirement of ~Rs 28.5 crore in FY2026. The capex requirement at the Group level is expected around Rs 22.4 crore in FY2026, which is expected to be meet from internal cash flows.

Rating sensitivities

Positive factors – A healthy growth in the Group's earnings resulting in strengthening of its debt protection metrics and liquidity on a sustained basis may result in an upgrade of the ratings

Negative factors – - Deterioration in the Group's liquidity and debt coverage metrics due to any sizeable debt-funded capex/acquisition and/or any material decline in earnings may trigger ratings downgrade. An adjusted interest coverage ratio of less than 6.0 times on a sustained basis may also result in a downgrade of ratings

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles - Fabric Tea
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated view of LTCPL along with its subsidiaries and step-down subsidiaries, including OPL given the financial and managerial linkages among the entities. Also, given that TOPL is a joint-venture, ICRA has done the proportionate consolidation of TOPL in the shareholding % held by OPL. The list of entities considered is mentioned in Annexure-II.

About the company

Luxmi Tea Company Private Limited (LTCPL) was incorporated in 1912 and has 21 tea gardens spread across Assam (13 gardens), West Bengal (two gardens) and Tripura (six gardens). The total area under cultivation is around 7,668 hectares (as of March 2024), out of which ~79% is in Assam, followed by ~14% in Tripura and ~7% in West Bengal. The erstwhile Group company, Makaibari Tea & Trading Private Limited (Makaibari), owner of Makaibari tea estate in Darjeeling, was merged into LTCPL with effect from April 2021. LTCPL is primarily a producer of the CTC variety of tea. LTCPL is the holding company of the Group. It has seven subsidiaries, among which three are involved in the tea business (including a foreign subsidiary having three tea estates in Africa), one in floor covering (woven) and furniture manufacturing business (with subsidiaries and step-down subsidiaries) one in real estate, one in hospitality business (under a foreign subsidiary) and another without any significant operations at present. The tea and floor covering segments are major contributors to the Group's overall revenues and profits, while the real-estate segment has been the main source of the Group's liquidity.

Key financial indicators (audited)

LTCPL	Consolidated		Consolidated with proportionate consolidation of TWE
	FY2023	FY2024	FY2024
Operating income	1514.2	1266.7	1,364.8
PAT	79.5	-0.9	2.3
OPBDIT/OI	13.3%	8.2%	8.6%
PAT/OI	5.3%	-0.1%	0.2%
Total outside liabilities/Tangible net worth (times)	0.9	1.0	1.0
Total debt/OPBDIT (times)	3.4	7.9	7.0
Interest coverage (times)^	6.1	1.7	1.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation. ^in FY2024, the adjusted interest coverage is 2.8 times in consolidated financials and 3.2 times in consolidation with proportionate consolidation of TWE financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Feb 19, 2025	Dec 29, 2023	Sep 08, 2022	Jun 10, 2021
1	Fund based – Term Loans	Long term	27.88	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)
2	Fund based – Cash Credit	Long term	88.50	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)
3	Fund based – Interchangeable limits*	Short term	(40.00)	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
4	Non-fund based – SBLC/LER	Long term/ short term	36.00	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1
5	Unallocated	Long term/ short term	-	-	-	[ICRA]A+ (Stable)/ [ICRA]A1	-

**Sub-limit of Cash Credit (WCDL/EPC/Bill Discounting)*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based – Term Loans	**Simple**
Long-term – Fund based – Cash Credit	**Simple**
Short-term – Fund based – Interchangeable limits*	**Simple**

Long term/Short term – Non-fund-based – SBLC/LER	**Very Simple**

**Sub-limit of Cash Credit (WCDL/EPC/Bill Discounting)*

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 details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan-1	Feb 28, 2022	NA	Dec 31, 2026	21.88	[ICRA]A+ (Stable)
NA	Term Loan-2	Feb 28, 2022	NA	Sep 30, 2024	6.00	[ICRA]A+ (Stable)
NA	Cash Credit	NA	NA	NA	88.50	[ICRA]A+ (Stable)
NA	Fund-based –Interchangeable limits*	NA	NA	NA	(40.00)	[ICRA]A1
NA	Non-fund based –SBLC/LER	NA	NA	NA	36.00	[ICRA]A+ (Stable)/ [ICRA]A1

*Source: Company; *Sub-limit of Cash Credit (WCDL/EPC/Bill Discounting)*

Annexure II: List of entities considered for consolidated analysis

Company Name	LTCPL's Ownership	Consolidation Approach
Luxmi Township & Holdings Limited	84%	Full consolidation
Obeetee Private Limited (OPL)	100%	Full consolidation
Chandmani Tea Company Limited	95.41%	Full consolidation
Kalyani Tea Company Limited	92.01%	Full consolidation
Luk Hospitalities Limited	100%	Full consolidation
Silverback Tea Company Limited (STCL)	75%	Full consolidation
Makaibari Tea Estate Private Limited	100%	Full consolidation
Gisovu Tea Company Limited	(60% owned by STCL)	Full consolidation
Pfunda Tea Company Limited	(90% owned by STCL)	Full consolidation
Rugabano Tea Company Private Limited	(100% owned by STCL)	Full consolidation
TWE OBT Private Limited (TOPL)s	(50% owned by OPL)	Proportionate consolidation
Obeetee Inc.	(100% owned by OPL)	Full consolidation
Obeetee Retail Private Limited	(100% owned by OPL)	Full consolidation
Obeetee Pte. Ltd.	(100% owned by OPL)	Full consolidation
Obeetee Home Textiles Private Limited	(100% owned by OPL)	Full consolidation
Manor & Mews Private Limited (MMPL)	(100% owned by OPL)	Full consolidation
Manor & Mews Limited	(100% owned by MMPL)	Full consolidation
Manor & Mews Furniture Private Limited	(100% owned by MMPL)	Full consolidation

Source: Company

ANALYST CONTACTS

Girishkumar Kashiram Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Vikram V
+91 40 6939 6410
vikram.v@icraindia.com

Sumit Jhunjhunwala
+91 33 6521 6814
sumit.jhunjhunwala@icraindia.com

Soumya Satapathy
+91 33 7150 1100
oumya.satapathy@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches