

July 23, 2025

Kanan Devan Hills Plantations 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 loan	33.00	33.00	[ICRA]A- (Stable); reaffirmed
Long term - Fund based – Working capital/Cash credit	122.00	122.00	[ICRA]A- (Stable); reaffirmed
Short term - Fund based – Interchangeable	(111.00)	(111.00)	[ICRA]A2+; reaffirmed
Short term - Non-fund based – Interchangeable	(26.00)	(26.00)	[ICRA]A2+; reaffirmed
Total	155.00	155.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings for Kanan Devan Hills Plantations Company Private Limited (KDHP) factors in an expected recovery in the entity's financial metrics in FY2026 following a weak performance in FY2025. The entity's operating profits declined to Rs. 7.9 crore in FY2025 vis-à-vis Rs. 16.6 crore in FY2024 owing to significant own tea production loss. The company increased its bought leaf production in FY2025 to counterbalance the loss in own tea production; however, the lower margin in bought leaf moderated its operating profits. Nonetheless, better production and firm realisations are expected to drive a recovery in the entity's profitability in the current fiscal.

Tea production has already started to recover with ~1.7 Mkg higher own production compared to the previous year. The blended tea realisation increased by ~Rs. 16/Kg in Q1 FY2026. Consequently, the entity's Q1 profit improved to Rs. 10 crore vis-à-vis a loss of Rs. 20 crore in Q1 FY2025 at the PBT level. The sustenance of higher production and firm realisations would be critical and would remain a key rating sensitivity, going forward. ICRA also notes that significant contribution from the high-margin non-tea segments like tourism, trading of spices, medicinal and aromatic products supported the overall profit of the entity, while the bulk tea business witnessed a significant pressure on margins. The lower profit adversely impacted the company's leverage and debt protection metrics, which are expected to improve in the current fiscal.

The ratings also consider KDHP's established presence in the domestic bulk tea industry with a sizeable scale of operation and strong operational and financial linkages with Tata Consumer Products Limited (TCPL, rated at [ICRA]AAA/Stable/[ICRA]A1+). KDHP is a Tata Group Company, where TCPL holds 28.52% of the equity base directly. Further, two trusts hold 26.61% of the equity base. TCPL has also supported the entity by providing unsecured loans, as and when required. Over the years, the entity has increased its non-tea revenue, which has helped offset the subdued performance of the bulk tea business to an extent. The non-tea business is likely to grow at a steady rate, supporting the performance in FY2026.

The ratings are, however, constrained by KDHP's moderate profit generated over the years, resulting in modest debt coverage indicators. In FY2025, the crop loss adversely impacted the entity's profit and debt protection metrics. While the current year's performance is expected to be better, the coverage indicators will continue to be moderate. The ratings are also impacted by geographical concentration and agro-climatic risks, as well as the inherent cyclicity of the fixed-cost intensive tea industry that results in variability in profitability and cash flows of all bulk tea producers, including KDHP.

In addition, Indian tea is essentially a price taker in the international market and, hence, the global supply-demand dynamics would continue to have a bearing on the domestic price levels to some extent. Nevertheless, the company's focus on quality, as demonstrated by the significant premium commanded over the South India (SI) auction averages, and support from the non-tea segments are likely to support the business profile, going ahead.

The Stable outlook on the long-term rating reflects ICRA's opinion that KDHP would be able to improve its revenues and profitability through higher tea production and realisation along with cost optimisation initiatives, leading to an expected improvement in the debt protection metrics.

Key rating drivers and their description

Credit strengths

Credit strength derived from KDHP's linkages with TCPL - The ratings of KDHP draw comfort from the implicit support derived from its strong operational and financial linkages with TCPL. The tea plantation gardens managed by KDHP have been given on a long-term lease by TCPL, which holds a 28.5% stake in KDHP. Further, a considerable portion (19% in FY2025) of KDHP's tea production is sold to TCPL, to which KDHP has been supplying since its inception. TCPL sources a large portion of its south Indian tea requirements from KDHP, which is also the supplier of green leaf to TCPL's instant tea division in Munnar. The company's strategic importance to TCPL and the financial flexibility derived from the funding support provided to it by TCPL strengthen KDHP's credit profile. TCPL has provided long-term loans to KDHP, having an outstanding amount of Rs. 6 crore as on March 31, 2025. Based on KDHP's liquidity position, TCPL allowed deferment of loan repayments and extended advances for purchases made from KDHP in the past.

Established position as a prominent bulk tea player in South India- KDHP is an established player in the domestic bulk tea industry and is the largest plantation company in South India. Its total tea production in FY2025 stood at 22.9 million kg (Mkg), of which almost 12% came from bought leaves. The company produces about 2% of the overall south Indian tea and its average realisations attract a considerable premium to the regional auction averages, reflecting the relatively better quality of the tea produced.

High productivity of tea estates despite an adverse age profile of bushes - KDHP's garden costs are largely fixed, in line with that of the industry, with labour costs accounting for a major part of the cost of production. The risks associated with the high fixed-cost nature of the industry are mitigated, to an extent, by the high productivity level of KDHP's estates and processing units, reflected in the yield of around 2,600 kg/hectare of area under cultivation and an outturn ratio of 24.5% in FY2024. Nevertheless, the age profile of its tea bushes remains adverse, with around 75% of the bushes being more than 80-years-old, necessitating continuous investment towards replantation. ICRA notes that the company has been taking specific steps to address the problem by following a definite annual replantation policy. Also, the yields have been supported by increasing acreage under high-yielding clones and other focused efforts taken towards sustaining productivity.

Credit challenges

Weak earnings in FY2025 adversely impact leverage and coverage indicators; significant recovery expected in FY2026 with increase in production – KDHP's financial performance remained weaker-than-expected in FY2025, resulting in a lower operating profit of Rs. 7.9 crore compared with Rs. 16.6 crore reported in FY2024. While the blended tea realisation increased by Rs 11/kg in FY2025, significant own crop loss of ~3Mkg in FY2025 pulled down the performance. The company increased the bought leaf production to counterbalance the loss in own tea production; however, the lower margin in bought leaf significantly moderated its operating profits. ICRA also notes that significant contributions from the high-margin non-tea segments like tourism, trading of spices, medicinal and aromatic products supported the overall profit of the entity, while the bulk tea business witnessed significant pressure on margins. The lower profit adversely impacted the entity's leverage and debt protection metrics.

In FY2026, tea production bounced back with the own production up by ~1.7 Mkg in the first quarter. The realisation remained firm, showing an increase of Rs 16/kg in Q1 FY2026. This is likely to improve the profitability and debt protection metrics in the current fiscal. The sustenance of higher production and firm realisation would be critical and would remain the key rating sensitivity, going forward.

Exposed to geographical concentration risks - The company operates seven tea estates, all of which are located in Munnar, Kerala. This exposes KDHP to significant geographical concentration risks. Nevertheless, the proximity of the tea estates to each other lends operational flexibility to an extent.

Agro-climatic risks associated with tea being a cyclical agricultural commodity; continuous increase in wages weighs on cost structure - Tea production remains vulnerable to agro-climatic conditions. Moreover, tea estate costs are primarily fixed, with labour-related expenses that are independent of the volume of production accounting for a major portion of the production cost. Hence, the inherent cyclicity of the fixed-cost intensive tea industry results in a variability in the profitability and cash flows of bulk tea producers, such as KDHP. The basic wage rate for KDHP’s tea estate workers was last increased by Rs. 41/man day, with retrospective effect from January 2023. This pushed up the tea production cost by around Rs. 8/kg. The wage rates are increased every three years and the next revision will be due in January 2026. Any significant hike in the wage rates without a commensurate increase in tea realisations would be a credit negative.

Realisation in the domestic market remains vulnerable to the performance of the Indian tea export market - Exports play a vital role in maintaining the overall demand-supply balance in the domestic tea market, notwithstanding the large domestic consumption base that India has. Healthy export realisation is also crucial for maintaining domestic realisations as unremunerative prices in the export market may prompt exporters to dump the produce in India, which in turn would exert pressure on domestic prices despite the better quality of Indian tea. However, an improvement in export volumes is expected to offset the risks to an extent.

Liquidity position: Adequate

The company’s liquidity position is likely to remain adequate. Its cash flow from operations (CFO) is expected to remain comfortable, going forward. The company is likely to incur a higher capex of around Rs. 25 crore in FY2026, though this would be funded through a term loan to an extent. Its annual debt repayment obligation for FY2026 stands high at ~Rs. 8.8 crore, which is expected to go down to Rs. 8.3 crore in FY2027. Nevertheless, an improvement in the profitability and a sizeable undrawn working capital limit is likely to support its liquidity. Besides, the financial flexibility derived from the company’s linkages with TCPL, as reflected in the funding support received from the latter, is likely to support KDHP’s liquidity.

Rating sensitivities

Positive factors – The ratings can be upgraded if the company is able to sustain its scale of operations and register a significant growth in its profitability, thereby leading to a considerable improvement in the company’s leverage and coverage indicators and liquidity position.

Negative factors – Pressure on KDHP’s ratings may arise if there is a deterioration in the credit profile of TCPL, and/or weakening of the operational and financial linkages with it. A further sharp decline in revenue and profitability, weakening KDHP’s credit profile on a sustained basis, could also be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Tea
Parent/Group support	Implicit support from Tata Consumer Products Limited (TCPL), rated [ICRA]AAA (Stable), has been considered.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of the company

About the company

KDHP was incorporated in 2005, when it took over the operations of South Indian tea plantations of the erstwhile Tata Tea Limited (now TCPL) and became the largest tea plantation company in South India. The company has taken on lease the land holdings, including the tea gardens from TCPL, for 30 years. In FY2025, KDHP produced 20.20 Mkg tea, including 1.5 Mkg from bought-leaf operations. KDHP has seven tea estates (spread across nearly 9,000 hectares of area under cultivation), all located within Munnar in Kerala, and has 16 factories that produce a variety of tea. It produces both the CTC and orthodox varieties of tea. The proportion of the orthodox tea sales volume in FY2025 stood at 26%.

The company is one of the largest exporters of tea from South India and generates a portion of its sales (11% in FY2025 by volume) through the marketing of its packet tea brand (Ripple) in Kerala. In addition, KDHP manages six tea estates of Tata Coffee and two tea estates of TCPL.

The company is also involved in the tourism business in Munnar. It runs a few bungalows/cottages and sells tickets to tourists for visit to its tea museum and factories. The company sells spices, medicinal and aromatic products through various outlets and runs a petrol pump in Munnar.

Key financial indicators (audited)

KDHP Standalone	FY2023	FY2024	FY2025*
Operating income	455.0	445.9	510.5
PAT	3.1	0.9	-10.6
OPBDIT/OI	5.2%	3.7%	1.5%
PAT/OI	0.7%	0.2%	-2.1%
Total outside liabilities/Tangible net worth (times)	1.6	1.8	1.8
Total debt/OPBDIT (times)	3.0	6.3	11.3
Interest coverage (times)	3.5	1.8	0.7

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: 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

Current (FY2026)			Chronology of rating history for the past 3 years						
			FY2025		FY2024		FY2023		
Instrument	Type	Amount rated (Rs. crore)	July 23, 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	33.00	[ICRA]A- (Stable)	Aug-13-24	[ICRA]A- (Stable)	Jul-20-23	[ICRA]A- (Stable)	Jul-07-22	-
Fund based – Working capital/Cash credit	Long term	122.00	[ICRA]A- (Stable)	Aug-13-24	[ICRA]A- (Stable)	Jul-20-23	[ICRA]A- (Stable)	Jul-07-22	[ICRA]BBB+ (Stable)
Fund based – Interchangeable	Short term	(111.00)	[ICRA]A2+	Aug-13-24	[ICRA]A2+	Jul-20-23	[ICRA]A2+	Jul-07-22	[ICRA]A2

Non-fund based - Interchangeable	Short term	(26.00)	[ICRA]A2+	Aug-13-24	[ICRA]A2+	Jul-20-23	[ICRA]A2+	Jul-07-22	[ICRA]A2
Unallocated limit	Long term	-	-	Aug-13-24	-	Jul-20-23	-	Jul-07-22	[ICRA]BBB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund based – Term loan	Simple
Long term - Fund based – Working capital/Cash credit	Simple
Short term - Fund based – Interchangeable	Simple
Short term - Non-fund based – Interchangeable	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 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
-	Fund based – Term loan	Feb-2023	-	Jan-2031	23.00	[ICRA]A- (Stable)
-	Fund based – Term loan	-	-	-	10.00	[ICRA]A- (Stable)
-	Fund based – Working capital/ Cash credit	-	-	-	122.00	[ICRA]A- (Stable)
-	Fund based – Interchangeable	-	-	-	(111.00)	[ICRA]A2+
-	Non-fund based – Interchangeable	-	-	-	(26.00)	[ICRA]A2+

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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