

Goodricke Group Limited

Instrument	Amount Rated	Rating Action
	In Rs Crore	As in September 2016
Fund-based Limits*	75.00	[ICRA]AA-(Stable)/[ICRA]A1+ reaffirmed
Non-Fund Based Limits*	8.00	[ICRA]AA-(Stable)/[ICRA]A1+ reaffirmed

* GGL's bank facilities are entirely fungible between long term and short term facilities

ICRA has reaffirmed the [ICRA]AA- (pronounced ICRA double A minus) rating assigned to the Rs. 75-crore¹ fund-based bank facilities and Rs. 8 crore non-fund based bank facilities of Goodricke Group Limited (GGL)². The outlook on the long-term rating is stable. GGL's bank facilities are entirely fungible between long-term and short-term facilities. ICRA has also reaffirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) for the above bank facilities of GGL.

The reaffirmation of the ratings takes into account the position of GGL as an established producer of bulk tea (both CTC and orthodox varieties), accounting for almost 2% of India's tea production and high quality of tea produced commanding significant premium over average North Indian auction prices. Additionally, the company continues to have a conservative capital structure and strong debt coverage indicators over the past few years. The ratings also positively factor in the company's diversified revenue streams, with packet-tea and instant-tea divisions contributing to the profits of the company and providing a natural hedge, to some extent, against the risks associated with the bulk tea industry. The ratings, however, also continue to factor in the risks associated with tea being an agricultural commodity, which depends on agro-climatic conditions as well as the cyclicity inherent in the fixed-cost intensive tea industry that leads to variability in profits and cash flows of bulk tea producers such as GGL. However, the high productivity of GGL's estates mitigates such risks to some extent. GGL follows a policy of uprooting and re-plantation of around 2% of its area under cultivation annually, which has helped improve the age profile of its bushes. Although the rising input costs in the last couple of years have resulted in a higher cost of production for the industry including GGL, the company has been able to increase average tea realisations by improving the tea quality along with changes in sales mix which has offset the impact of cost increase to a certain extent. In the current year, North Indian auction prices have been marginally higher during the period April-August 2016, which along with higher volumes till date will have a favourable impact on GGL's top-line in the current year. The extent of the impact of the above on the profits of bulk tea producers, including GGL, would be determined finally by the trade-off between production levels, increasing costs and movements in tea realisations. Nonetheless, the long-term outlook for the domestic bulk tea industry continues to remain favourable. ICRA expects tea realisations to remain firm on the back of healthy domestic demand during the current year. Going forward, ICRA expects GGL's capital structure and debt coverage indicators to remain healthy, given the conservative financial policy followed by the company's management.

Company Profile

Goodricke Group Limited was incorporated on June 14, 1977 and it cultivates tea across 17 gardens. The company operates 20 factories – one processing factory with each tea garden, four tea blending units and one instant tea plant. The gardens, spread over 9,712 hectares, are primarily located in West Bengal (Dooars and Darjeeling), with around 15% of the total area under cultivation located in Assam as well. GGL is primarily a producer of the CTC variety of tea, which accounts for ~90-95% of the total production, with the balance being orthodox variety of tea. Camellia Plc., UK, is the ultimate holding company, which through its subsidiaries holds the majority shareholding of 74% in the company, while the public shareholders hold the rest.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Recent Results

During the period April to June 2016, GGL recorded a profit before tax of Rs. 13.99 crore on net income from operations of Rs. 125.00 crore against a profit before tax of Rs. 4.47 crore on net income from operations of Rs. 102.53 crore in the corresponding period previous year.

During January 2015 to March 2016 (15M FY2016), GGL recorded a net loss of Rs. 12.89 crore on an operating income of Rs. 752.50 crore. The company made a net profit of Rs. 22.38 crore on an operating income of Rs. 607.61 crore in Jan 2014 to Dec 2014 (CY2014).

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