

December 06, 2022

Warren Tea Limited: Update on entity

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating outstanding
Long-term – Fund-based Limits – Cash Credit	15.50	15.50	[ICRA]BB- (Stable)
Total	15.50	15.50	

*Instrument details are provided in Annexure-I

Rationale

Warren Tea Limited (WTL) has recently announced the execution of memorandum of understanding (MoU) for the sale/ disposal of its existing tea estates to consolidate and strengthen its financial position. The company has signed an MoU with Dhunseri Tea & Industries Limited for the sale of Deohall Tea Estate, Duamara Tea Estate and Tara Tea Estate at a gross consideration of Rs. 90.80 crore. It has also signed an MoU with Madhuting Tea Private Limited for the sale of Hatimara Tea Estate at a gross consideration of Rs. 14.20 crore. The entire process of sale/ disposal of tea estates will be completed in the current financial year, and the proceeds will be used for containing and optimising of liabilities including borrowings and improving the overall performance of the company. Going forward, the company plans to venture into retail/ consumer marketing and merchant export of tea.

The rating assigned to the bank limits of WTL remains unchanged at [ICRA]BB- (Stable), as the proposed monetisation of assets will not have any adverse impact on the credit profile of the company. ICRA would continue to monitor the recent development and review the company's performance, as and when further clarity emerges.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position, environmental and social risks and rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Bulk Tea Industry
Parent/ Group support	Not Applicable
Consolidation/ Standalone	The rating is based on the standalone financial statements of the entity

About the company

Incorporated in 1977, Warren Tea Limited produces primarily black tea of crush, tear and curl (CTC) variety, which it sells mainly in the domestic market through a mix of auction and private sales. At present, the company has four tea gardens located in the Upper Assam region, primarily in Dibrugarh and Tinsukia districts. The gardens are spread over an area of around 2,121 hectares.

Key financial indicators

	FY2021 (Audited)	FY2022 (Audited)	H1 FY2023 (Unaudited)	H1 FY2022 (Unaudited)
Operating income	105.9	89.7	42.1	58.7
PAT	32.4	7.1	4.8	4.4
OPBDIT/OI	6.9%	-4.4%	15.1%	10.6%
PAT/OI	30.6%	7.9%	11.4%	7.6%
Total outside liabilities/Tangible net worth (times)	0.5	0.3	0.3	0.5
Total debt/OPBDIT (times)	2.6	-5.0	1.9	1.3
Interest coverage (times)	1.5	-1.6	5.0	5.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Source: Warren Tea Limited, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating Amount outstanding as on Mar 31, 2022 (Rs. crore)	Chronology of rating history for the past 3 years						
				Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021		Date & rating in FY2020	
				Dec 6, 2022	Oct 10, 2022	Sep 16, 2021	May 22, 2020	Apr 7, 2020	Feb 24, 2020	Apr 22, 2019
1 Cash Credit	Long Term	15.50	9.74	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	[ICRA]B (Negative)	[ICRA]BB-(Negative)	[ICRA]BB+(Stable)	[ICRA]BB+(Stable)
2 Term Loan	Long Term	-	-	-	-	[ICRA]BB-(Stable)	[ICRA]B (Negative)	[ICRA]BB-(Negative)	[ICRA]BB+(Stable)	[ICRA]BB+(Stable)
3 LC/ BG/ Derivative	Short Term	-	-	-	[ICRA]A4 Withdrawn	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4+	[ICRA]A4+
4 Unallocated Limits	Long Term/ Short Term	-	-	-	-	-	[ICRA]B (Negative)/ [ICRA]A4	[ICRA]BB-(Negative)/ [ICRA]A4	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based Limits – Cash Credit	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
NA	Cash Credit 1	-	-	-	7.50	[ICRA]BB- (Stable)
NA	Cash Credit 2	-	-	-	8.00	[ICRA]BB- (Stable)

Source: Warren Tea Limited

[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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