

June 13, 2023

## The Scottish Assam (India) Limited- Removed from 'Issuer not cooperating' Category

### Rationale

ICRA has removed its earlier rating of [ICRA]BBB+ (Stable) from the 'ISSUER NOT COOPERATING' category as the company has now submitted its 'No Default Statement' ("NDS") which validates that the company is regular in meeting its debt servicing obligations. The company's rating was moved to the 'ISSUER NOT COOPERATING' category earlier in June 2023.

The current rating derives comfort from the favourable financial risk profile of The Scottish Assam (India) Limited (TSAIL), reflected by a conservative capital structure, strong debt coverage indicators and a sizeable liquid investment portfolio, leading to a negative net debt position (total debt less free cash, bank balance and liquid investments). ICRA also draws comfort from the favourable age profile of TSAIL's tea bushes with around 87% of the bushes in the productive age profile of 5-50 years. This leads to high productivity, which mitigates the risks associated with the fixed-cost intensive nature of the tea plantation business to some extent. The rating also factors in the company's focus on production of superior-quality tea that commands a significant price premium over the average market realisation. The company's above-average realisations and yield are likely to support its profitability despite an increase in the production cost on the back of wage rate hike for tea estate workers in Assam from August 2022. The rating, however, continues to be impacted by the company's modest scale of current operations and the risks associated with tea for being an agricultural commodity, as tea production depends on agro-climatic conditions. The presence of a single garden of the company in the Upper Assam region accentuates such risks. Besides, the business remains vulnerable to regulatory changes, wage rate hike etc. In addition, domestic tea prices are impacted by the demand-supply situation and prices in the international market, which would continue to have a bearing on the profitability of Indian tea players, including TSAIL.

The previous detailed rating rationale is available on the following link: [Click here](#)

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