

Tea & Coffee

Industry Code (as per CMIE Prowess): 0101011101050000'

June 2022

Overall Industry Risk Score: **12/20 | Marginally Favourable**

Sample Size: 24 Companies

Median Rating Value of sample size: BBB

Individual Parameters Contributing to the Score

Demand & Supply Balance  **12/20**

DS Equilibrium

In CY 2020, India produced 1,255.6 million kgs. (i.e decrease of 9.7% over previous period). The decline was attributable to floods in Assam region and labour movement restrictions. The industry was also substantially impacted by the pandemic. As per teaboard.gov.in data, the production increased to 1,344.4 million kgs for FY22 (Previous year 1,283 million kgs). In FY22, the exports dropped to 200.8 million kgs from 203.8 million kgs in FY21. In the export market, Sri Lanka and Kenya are the two major competitors. The export demand is linked to output and prices of the competing nations. The economic crisis in Sri Lanka can furthermore generate export demand for India.

Extent of Competition  **12/20**

Neutral

The agri nature of tea imposes geographical constraints on its cultivation and processing & consequently on entry of new players. Competition is stiff in export markets.

Regulatory Risk



12/20

Predictable Regulatory environment

Favourable government policy towards the agriculture sector benefits tea industry as well. The welfare expenditure requirements for labour force in tea gardens are significant and impact the operating margins.

Input Related Risk



12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

Higher labour costs are a major concern for the industry although availability of labour per se is not a challenge. The vagaries of weather can impact the production of tea leaves. Recent floods in Assam have caused labour movement disruptions and impacted the supply of essential inputs & disptach of made teas.