

LIQUID TALK

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# GOODRICKE GROUP LTD

MAY 11, 2021

CURRENT PRICE : 265

Incorporated : June 14, 1977

Sector : Tea / Beverages

PE Ratio / Industry PE : 17.73 / 132

Face Value : 10

52 W High / Low : 322 / 120

Rating : BB / Stable (CRISIL), AA- / Stable (ICRA)

Goodricke Group Limited, part of UK Camellia Plc is an India-based manufacturer, exporter and marketer of Tea.

The company is widely recognized and well respected for being one of the largest manufacturer of Tea in India. Globally, too, it has carved a place for itself in the niche domain of single estate as well as curated teas. With a Bouquet of Rain Forest Alliance (ecologically balanced collaboration) and USDA (certified organic) tea gardens, blending and packaging units it also caters to the domestic market across all states.

#### Recent News :

- Goodricke Group keen to buy more tea estates in Assam - November 30, 2020
- Goodricke Group upbeat on branded-tea retail - September 9, 2019

Source : Business Line

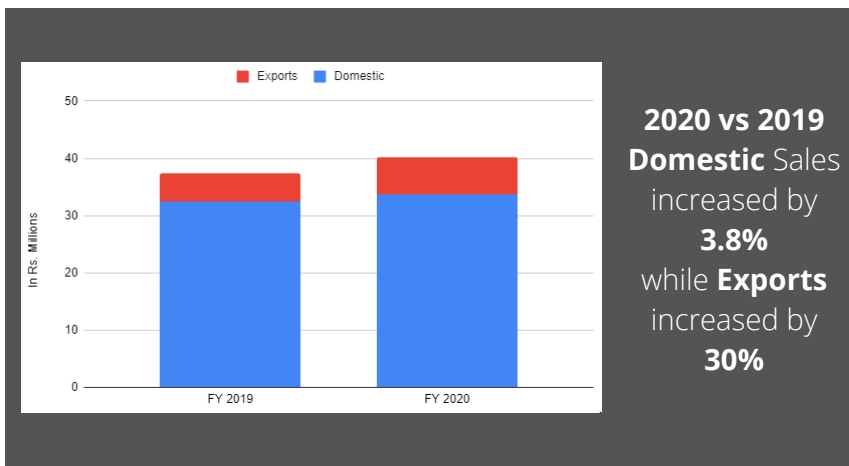


## Business Overview

During the FY'20, the Company recorded own crop of 20.20 Mn kg tea as compared to 18.63 Mn kgs in the previous year, an increase of 8.4% in production.

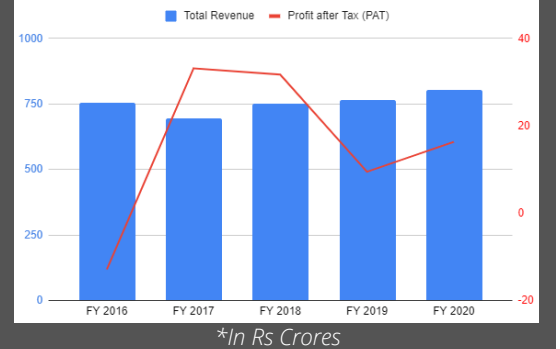
The increase in crop was due to higher crop yield in all the three regions of Dooars, Assam and Darjeeling along with the extra contribution of the newly acquired Harchurah tea estate in Assam.

The total manufactured crop along with purchased leaf stood at 25.66 Mn kgs, 3.1% higher than the previous year.

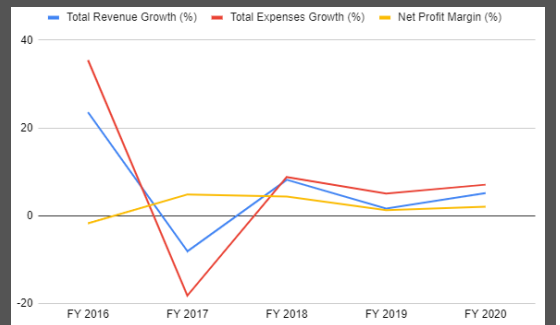


## Key Highlights

- In FY'20, wages which was higher in Assam by 18.25% and West Bengal by 21.57%, creating a substantial inflation in the cost of production by 15%.
- Apart from adhering to the approved chemicals listed under the Plant Protection Code, the company has strived to reduce dependency on conventional pesticides and are adopting ecofriendly methods of pest control.
- The Instant Tea Plant at Aibheel Tea estate has largely contributed to the revenue.
- Opened Goodricke tea lounge in Kolkata and Queen's Deck lounge in Mumbai.

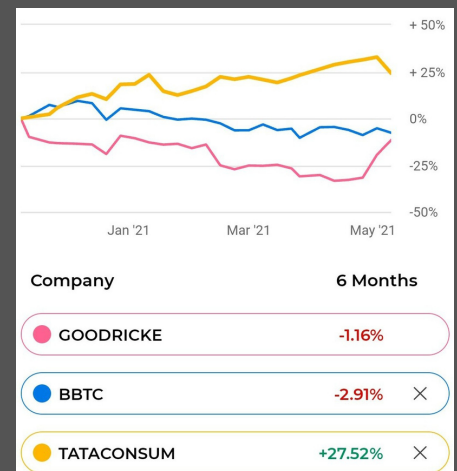


Goodricke Group Ltd has realized a CAGR of **6% Revenue** and **39% Profit After Tax** across the last 5 years



Prior to and post FY 2017, the company has not been able to maintain the YoY Expenses growth lesser than its Revenue Growth.

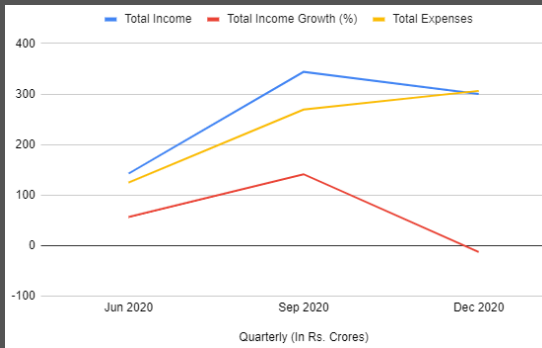
**Net Profit Margin** therefor, stands at an average of **3.4%**



Share Prices over the last 6 Months of Goodricke Group Ltd and two of its most prominent competitors

## Financial Performance

Financial Ratios	Variance	Reasons for Variance
Net Profit Margin	-59%	Operating Costs increased sharply due to substantial wage increase in Assam and West Bengal. Finance costs increased due to higher borrowings for purchase of new estate.
Operating profit margin	-48%	
Interest Coverage Ratio	-90%	Average working capital borrowing was higher during the year mainly due to sharp rise in wages as well as higher production.
Debt Equity Ratio	51%	Debt position at year end was higher due to higher working capital borrowings and loans taken for acquisition of tea estate in Assam



**2021**  
**Quarterly Results**  
 Average **Income growth** for each quarter has remained above **60%**

In Rs. Crores	ACTUAL			FORECASTED	
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenue	751.64	763.98	803.23	835.36	877.13
Net Profit	31.72	9.49	16.32	16.97	17.82
Basic EPS (₹)	14.69	4.39	7.56	7.86	8.26

YoY Revenue rise for 2021 is 4% and for 2022 is 5%\*

\*Forecasted using weighted average growth rates and significant conservative approach to 2020-21 growth rates considering the Covid-19 setbacks and economic slowdown

## Corporate Leadership

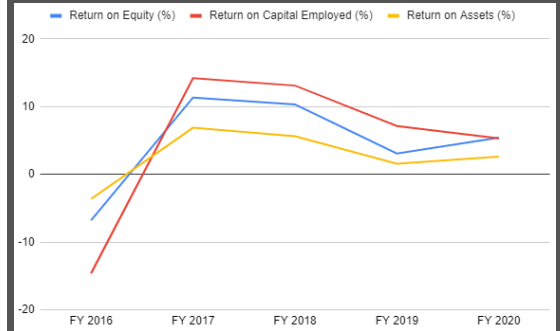
### CEO & MD - Athul Asthana

35 years of experience in the tea industry, 3 years since MD & CEO

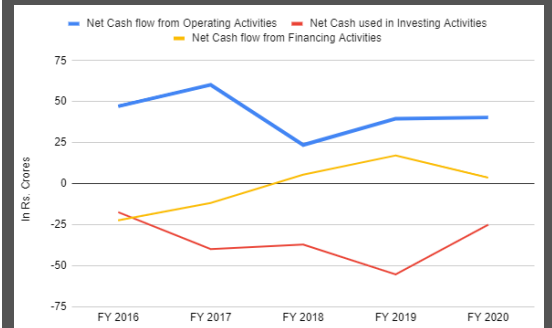
### Chairman - Peter John Field

Former Jt Managing Director of Camellia Plc, has over 10 years of experience in the tea industry.

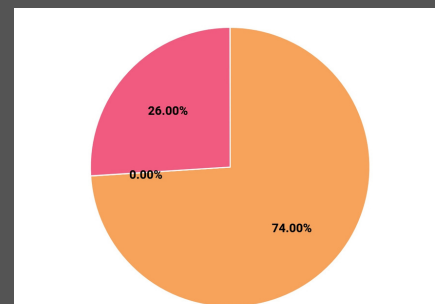
The top management and leadership have a clean track record as of date.



Maintained an average **ROCE** of **5%** and an average **ROE** of **4.6%**



Investing expenditure refers to purchase of tea estates and the Finances raised for the purchase



Category	Shares	Percentage
Promoter	1,59,84,000	74.00%
Pledge	0	0.00%
DII	1,315	0.00%
MF	300	0.00%
Others	56,14,685	26.00%

Returns		
1 Day	1 Month	3 Months
↑2.23%	↑29.02%	↑17.35%
1 Year	3 Years	5 Years
↑106.95%	↓16.05%	↑53.81%

## Peer Analysis

Company	CMP	EPS TTM	PE Ratio	Dividend Yield %
TATA Cons. Prod	642	7	96	0.063
Bombay Burmah	1173	0	2932	0.001
CCL Products	318	12	27	0.016
Tata Coffee	172	5	32	0.087
Goodricke Group	273	15	18	0.000

Goodricke Group Ltd's EPS is higher than market leader Tata Consumer Products (which produces Tata Tea).

With a much lower PE Ratio of 17% than the industry average 132%, the share price of Goodricke seems to be quite conservatively priced.

## Recommendation

Despite the extend of investments and expansionary plans Goodricke has been into especially during FY 2020, lower than industry PE ratio and higher than industry EPS and being a part of a growing industry with projected increase in demand for exports of tea (in addition to the tea industry considerably booming along with the entire consumer segment post the pandemic dies down) is not promising enough.

The shares of Goodricke seem to be conservatively priced currently, if not underpriced and has a high potential to hover around the same price range for the foreseeable future.

Hence, as of **May 11 2021**, the recommendation is to **sell** the shares , at a price of **Rs. 265**.