PRODUCERS SET TO ADD 20% TO REVENUES ON ACCOUNT OF HIGHER TEA PRICES

Booming tea prices spell bonanza for producers

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The brew is getting heady for the tea companies, which are set to rake in a bounty this year on high prices of the commodity.

Leading tea producers are set to reap 15-20% additional revenues this year on account of firm prices which are at their highest level in 7-8 years.

Almost all producers, from the bigger firms to the smaller ones which have 2-3 estates, are set to garner a handsome cash accretion this time.

Prices of the most common variety of CTC teas are almost Rs 20 higher than last year. In north India, average prices in November stood at 127 compared with Rs 107 per kg last year.

DNA Money caught up with some of the larger producers to track the trend. Karan Paul, chairman Apeejay Group and one of the large tea producers, told DNA Money, "After 8-9 years, there has been a good market. Last year was a decent year, but this year is a boom period. The market looks positive and plantation companies should have fairly good sales and profitability."

"During tough times almost every company has built up debt and by next year most companies will be debt free and have some cash surplus. We went through hard times as we were suffering from poor price realisation. As far as our company is concerned,



we have reinvested a lot in our plantations," Paul said.

Apeejay could make at least Rs 100 crore from higher prices this financial year.

McLeod Russel, the largest plantation company with 75 million kg of crop production, is betting on good revenues this time.

K K Baheti, director, McLeod Russel, said, "The last few months have seen tea prices rising and we hope to generate revenues of Rs 200 crore, largely on account of the commodity price increases. Our prices have been higher by almost Rs 27 a kg since the last year."

According to Baheti, tea prices are expected to remain firm mainly due to shortage in the Indian tea crop, which is estimated to reach 50 million kg by the end of the season. "Generally tea prices drop a little in November mainly due to the quality which gets affected during the winter season. But this time even in November prices held firm." he said.

J Kalyansundaram, secretary of Calcutta Tea Traders Association, which is the key body for tea trade, said that price realisation of teas from the north Indian auction cen-

tres was almost 25% higher during the January-November period in 2009. "For CTC teas, the price realisation works out to Rs 1,450 crore against Rs 1,159 crore during the corresponding period last vear."

C K Dhanuka, chairman, Dhunseri group which has 12 gardens with a 10 million kg production from Assam, felt that prices would remain firm. "International stocks are lower and so are Indian stocks of tea. However, costs of tea production have also gone up over the last few years. We could earn additional revenue of Rs 30 crore this fiscal."

Stock prices of tea companies have been soaring over the last few months.