

Highland Exim Private Limited

December 17, 2021

Ratings

Facilities/ Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	6.83	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.40	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	7.23 (Rs. Seven Crore and Twenty-Three Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information including 'No Default Statement' from Highland Exim Private Limited to monitor the rating(s) vide e-mail communications/letters dated September 30, 2021, December 02, 2021 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, Highland Exim Private Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Highland Exim Private Limited's bank facilities will now be denoted as **CARE BB; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings take into account its exposure to volatility in input prices and geographical concentration, high working capital intensive operations, vulnerability of change in budget allocation policies and intense competition. The ratings drive strength from extensive experience of the promoters with established track record of operations.

Detailed description of the key rating drivers

At the time of last rating on February 26, 2021 the following were the rating strengths and weaknesses

Key Rating Weaknesses

Short track record with small scale of operation: The company has started its operations from September 2018 with a processing capacity of 5.00 lakhs kgs per annum. Moreover, the processing capacity of the company has enhanced to 25.00 lakh kgs per annum since April 2019 from 5.00 lakhs kgs per annum. Total operating income has increased during FY20 on account of the first full year of operations. However, the scale of operations of the company remained small marked by total operating income of Rs.26.76 crore (FY19: Rs.5.21 crore) with a PAT of Rs.0.56 crore (FY19: Rs.0.11 crore) in FY20. It has booked a turnover of Rs.34.57 crore with PBT of Rs.1.04 crore during 10MFY21. The profitability margin remained moderate marked by PBILDT margin of 8.61% (FY19:15.46%) and PAT margin of 2.09% (FY19: 2.16%) in FY20.

Moderate capital structure with moderate debt coverage indicators: The capital structure of the company has deteriorated due to avilment of term loan, equipment and vehicle loan and relatively high utilisation of working capital and the same remained moderate marked by overall gearing of 2.24x (FY19: 1.27x) as on March 31, 2020. However, the debt coverage indicators have improved during FY20 and the same remained moderate marked by interest coverage of 3.23x (FY19:3.09x) and total debt to GCA of 7.10x (FY19:10.23x) in FY20. Improvement in interest coverage was mainly due to higher increase in PBILDT level vis-à-vis increase in interest expenses. Moreover, the TDGCA is also improved mainly on account of higher generation of cash accruals during FY20.

Volatility associated with tea prices: The prices of tea are linked to the auctioned prices, which in turn, are linked to prices of tea in the international market. Hence, significant adverse price movement in the international tea market affects HEPL profitability margins. Further, tea prices fluctuate widely with demand-supply imbalances arising out of both domestic and international scenarios. Tea is a perishable product and demand is relatively price inelastic, as it caters to all segments of the society. While demand has a strong growth rate, supply can vary depending on climatic conditions in the

¹Complete definitions of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

*Issuer did not cooperate; Based on best available information

major tea growing countries. Unlike other commodities, tea price cycles have no linkage with the general economic cycles, but with agro-climatic conditions.

Moderate recovery rates and capacity utilisation: The capacity utilisation has declined mainly due to enhancement in capacity during FY20 but the same remained moderate at 69.59% in FY20. Further, the recovery rate also remained moderate at 18.04% in FY20.

Susceptible to vagaries of nature: Tea production, besides being cyclical, is susceptible to vagaries of nature. HEPL has one tea processing unit located in district Darjeeling. However, the region has sometimes witnessed erratic weather conditions in the past. Though demand for tea is expected to have a stable growth rate, supply can vary depending on climatic conditions in the major tea growing areas. Therefore, adverse natural events have negative bearing on the productivity of tea gardens in the region and accordingly HEPL is exposed to vagaries of nature.

Fragmented and competitive nature of industry: While the tea industry is an organised agro-industry, it is highly fragmented in India with presence of many small, mid-sized and large players. There are about 1000 of tea brands in India, of which 90% of the brands are represented by regional players while the balance of the 10% is dominated by big corporate houses. This, coupled with the growing shift from loose to branded tea among consumers, would further intensify the competition for HEPL.

Key Rating Strengths

Established presence of the group in tea industry with experienced promoters: HEPL belongs to M.B. Group of companies; despite its very short track record of operations, the group has established presence in tea industry. The group is into tea business since 1960 and has since developed good business insight and maintained a healthy relationship with tea processing companies, resulting in easy procurement of (CTC) crush-tear-curl tea for blending. Furthermore, the clientele of the group is fairly diversified and spread across India, thus reducing customer and geographic concentration risks. Mr. Naresh Kumar Bansal who has more than three decades of experience looks after the day to day operation of the company. He is also supported by other directors Mr. Aayush Bansal and Mr. Ankit Bansal, along with a team of experience professional who are having long experience in similar line of business.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the Company

Highland Exim Private Limited (HEPL) was incorporated in 2008. The company belongs to MB Group of companies. The group is promoted by Mr. Naresh Kumar Bansal and it has various companies which are engaged in cultivation and processing of CTC tea business.

The company has set up its tea processing plant and started processing and sale of tea from September, 2018 onwards with a processing capacity of 5 lakh kgs per annum. Moreover, the company has enhanced its processing capacity to 25.00 lakh kgs from 5.00 lakh kgs from April 2019. The processing plant of the company is located at Dulurchhat, Hansqua more, P.O. Bagdogra, Darjeeling, West Bengal. HEPL's annual requirement of green leaves is procured from local gardens. The company mainly sells its products in domestic market through auction, agents and private brokers.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	10MFY21(Prov.)	Q1/H1FY22
Total operating income	5.21	26.76	34.57	-
PBILDT	0.81	2.30	-	-
PAT	0.11	0.56	1.04*	-
Overall gearing (times)	1.27	2.24	-	-
Interest coverage (times)	3.09	3.23	-	-

A: Audited, Prov.- Provisional

*Profit Before Taxes.

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Mar. 2026	2.03	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	4.80	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees		-	-	-	0.40	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	2.03	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (26-Feb-21)	1)CARE BB-; Stable (21-Feb-20)	1)CARE BB-; Stable (13-Mar-19)
2	Fund-based - LT-Cash Credit	LT	4.80	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (26-Feb-21)	1)CARE BB-; Stable (21-Feb-20)	1)CARE BB-; Stable (13-Mar-19)
3	Non-fund-based - ST-Bank Guarantees	ST	0.40	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4 (26-Feb-21)	1)CARE A4 (21-Feb-20)	1)CARE A4 (13-Mar-19)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantees	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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