

Asian Tea & Exports Limited

February 25, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	-	-	Revised to CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B ; Outlook: Stable / A Four) from CARE BB+; Stable / CARE A4+ (Double B Plus ; Outlook: Stable / A Four Plus) and Withdrawn
Short Term Bank Facilities	-	-	Revised to CARE A4; ISSUER NOT COOPERATING* (A Four) from CARE A4+ (A Four Plus) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

*Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has revised the outstanding ratings assigned to the bank facilities of Asian Tea & Exports Limited (ATEL) to 'CARE BB; Stable/ CARE A4 (Double B; Outlook: Stable/ A Four); Issuer Not Cooperating' from 'CARE BB+; Stable/ CARE A4+ (Double B Plus; Outlook: Stable/ A Four Plus) and subsequently withdrawn the ratings with immediate effect.

The above action has been taken at the request of ATEL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE. CARE has been seeking information from Asian Tea & Exports Limited (ATEL) to monitor the rating(s) vide e-mail communications dated July 20, 2020, February 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 has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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 have been revised on account of lack of adequate information regarding company's performance coupled with uncertainty around its credit risk profile.

The ratings assigned to the bank facilities of Asian Tea & Exports Limited (ATEL) is constrained by small scale of operations, leveraged capital structure with moderate debt coverage indicators, exposure to group companies, low profitability margins due trading nature of business and intense competition due to fragmented industry structure.

The ratings, however, derives strength from experienced promoters and long standing track record of operations, satisfactory sales network and improving financial performance.

Detailed description of the key rating drivers

At the time of last rating on December 30, 2019 the following were the rating strengths and weaknesses (updated for the information available from stock exchange):

Key Rating Weaknesses

Small scale of operations

The scale of operations of the company, although increasing remains small with the company having operating income of ~Rs.152.24crore in FY19 and Net-worth of Rs.26.08crore as on March 31, 2019. The small size deprives it the benefits of economies of scale and restricts the financial flexibility of the company in times of stress coupled with an intensely competitive segments which limits the bargaining power of the company.

Leveraged capital structure with moderate debt coverage indicators

As the operations of the company are working capital intensive in nature, it has to heavily rely on working capital borrowings. In addition, the company also availed unsecured loans to support the growing scale of operations which resulted in a leveraged capital structure with overall gearing and TD/GCA stood of 1.53x and 35.18x as on March 31, 2019.

Overall gearing and TD/GCA stood at 1.07x and 13.50x as on March 31, 2020, respectively.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

*Issuer did not cooperate; Based on best available information

Exposure to group companies:

ATEL's exposure to its group entities remained high at Rs.16.38crore as on March 31,2019 in the form of non-current investments representing around ~63% (Mar'18: ~65%) of the net-worth of the company as on March 31, 2019.

Low profitability margins due trading nature of business and intense competition due to fragmented industry structure

Given the trading nature of business along with intense competition, the company operates on a low margin. The overall PAT margin of the company remains low at around 0.67% in FY19 as against 0.17% in FY18. Low entry level barriers for trading keep the competition intense and the industry remains fragmented in nature.

Key Rating Strengths**Experienced promoter and long standing track record of operations**

The promoters of ATEL are engaged in the trading/export of agro commodities including tea, pulses and rice since 1994 under the leadership of Mr Hari Ram Garg. Currently, the company's operations are managed by Mr Sunil Garg and Mr Rajesh Garg (son of Mr H. R. Garg), each of whom having experience of more than two decades in trading/exports of agro commodities business including international trade.

Satisfactory sales network with presence in the domestic and export market

The company has a satisfactory sales network with presence in the domestic and export market, which helps them to secure from customers. Further, the company has good relationship with its customers, which is reflected through garnering of repeated orders from them.

Improvement in financial performance

The operating income of the company significantly increased from Rs.10.81crore in FY18 to Rs.152.24crore in FY19 mainly due to increase in the sales volume of pulses. Accordingly, PBILDT has increased to Rs.3.71crore in FY19 vis-à-vis Rs.0.03crore in FY18. Consequently, the interest coverage ratio improved to 1.73 times in FY19. In H1FY20 (Prov.), the company accounted for a turnover of ~Rs.162.15crore and PBILDT of Rs.4.20crore.

ATEL earned Total Operating Income of Rs.220.19 crore in FY20. PBILDT and PAT stood at Rs.7.21 cr. and Rs.2.11 cr. in FY20 respectively. In 9MFY21 (Prov.), the company reported a turnover of ~Rs.41.41crore and PBILDT of Rs.3.02crore.

As confirmed by the lender, the company had availed moratorium on interest payments for a period of 3 months (March- May) as per the COVID-19 Regulatory package announced by the Reserve Bank of India.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of Rating](#)

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

[Criteria on assigning outlook and credit watch](#)

[CARE policy on default recognition](#)

[Financial Ratio- Non Financial Sector](#)

[Rating Methodology: Wholesale Trading](#)

[Liquidity Analysis of Non-Financial sector](#)

[Criteria for short term instruments](#)

[Complexity Level of Rated Instruments](#)

About the Company

Asian Tea & Exports Limited is a part of Kolkata based Asian Group. Asian Tea & Exports Limited (ATEL; erstwhile Sita Plantations Pvt Ltd), incorporated in 1987, was converted into a public limited company in 1994. ATEL, promoted by Kolkata-based Garg family, is engaged in the trading/export of agro commodities including tea, pulses and rice. It sells rice under the brand name 'Mom's Delight', acquired in FY18. However, since 2011, majority of tea blending and export business is being carried out in Asian Tea Company Private Limited (ATEL is holding 40% stake in ATCPL) which exports tea to countries like Kazakhstan, China, Russia, Iran and Vietnam. This apart, the group has three tea estates in Doars, North Bengal and Assam and has prominent presence in Kolkata real estate sector. Currently, the company's operations are managed by Mr Sunil Garg and Mr Rajesh Garg (son of Mr H. R. Garg, the promoter of ATEL).

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	152.24	220.19
PBILDT	3.71	7.21
PAT	1.02	2.11
Overall gearing (times)	1.53	1.07
Interest coverage (times)	1.73	1.70

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-Working Capital Demand loan	-	-	-	0.00	Withdrawn
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	0.00	Withdrawn

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - ST-Working Capital Demand loan	ST	-	-	-	1)CARE A4+ (30-Dec-19) 2)CARE BB+; Stable (09-Oct-19) 3)CARE BB+; Stable (05-Apr-19)	1)CARE BBB-; Stable (16-Apr-18)	-
2.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	-	-	-	1)CARE BB+; Stable / CARE A4+ (30-Dec-19) 2)CARE A4+ (09-Oct-19) 3)CARE A4+ (05-Apr-19)	1)CARE A3 (16-Apr-18)	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - ST-Working Capital Demand loan	Simple
2.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple

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

Contact us

Media Contact

Mradul Mishra
Contact no. – +91-22-6754 3573
Email ID – mradul.mishra@careratings.com

Analyst Contact

Name: Mr. Abhishek Khemka
Contact no. +91 (0)33-40181610
Email id: abhishek.khemka@careratings.com

Relationship Contact

Name: Lalit Sikaria
Contact no. :+91 (0)33-40181607
Email ID: lalit.sikaria@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**