

Asian Tea and Exports Limited

April 5, 2019

Ratings

Facilities	Amount (Rs. Crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	4.75	CARE BB+/Stable (Double B Plus; Outlook: Stable)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Short-term Bank Facilities	3.25	CARE A4+ (A Four Plus)	Revised from CARE A3 (A Three)
Total facilities	8.00 (Rs Eight crore only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

For arriving at the ratings of Asian Tea & Exports Limited (ATEL), we have combined the business and financial risk profiles of ATEL and Asian Tea Company Pvt. Ltd (ATCPL), as both the companies have similar operations and exhibit cash flow fungibility.

The revision in the ratings assigned to the bank facilities of ATEL factor in the weak operational performance of the group in FY18 (refers to period April 1 to March 31) and group's high leverage marked with reliance on high cost inter corporate debt (ICD) coupled with high utilization of working capital limits .

The ratings also factor in the modest scale of operations, and debt coverage indicators, working capital intensive nature of business, customer concentration risk, exposure to group companies, exposure of raw material availability to vagaries of nature & resultant price risk and foreign currency fluctuation risk.

The ratings, however, derives strength from experienced promoters and long standing track record of operations, catering to established clientele with marked presence in the export market.

Ability of the company to increase scale of operation while improving profitability margin, deriving benefits out of the recent capex programme and managing working capital efficiently are the key rating sensitivities.

Detailed description of key rating drivers

Key Rating Weaknesses

Modest scale of operations:

The scale of operations of the group, although increasing has been small with group reporting a total operating income of Rs.197 crore in FY18 and having a combined tangible net worth of Rs.42.97 crore. Although during 9MFY19, the sales have increased to Rs.253 crore they were on account of lower margin sales in ATEL. However, the scale and size continues to be small and in an intensely competitive segment, this limits the bargaining power of the group.

Leveraged capital structure and modest debt coverage indicators:

As the operations of the group are working capital intensive in nature and involve exports, it has to heavily rely on working capital borrowings. In addition, the group availed term loans to set up a warehouse which also resulted in a leveraged capital structure standing at 1.91x as on March 31, 2018. Although, ATCPL's reliance on ICDs, decreased when alternate means of finance were available. However, the ATEL's reliance on debt increased due to agro trading business in Q4FY18.

Moderation in financial performance in FY18

The operating income of the group increased marginally in FY18. However, the PBILDT in FY18, was mainly supported by export incentives during the year. The deterioration in the operational performance of the group in FY18, was due to decrease in gross margin of tea sold and increase in overhead expenses. The interest coverage ratio deteriorated in FY18, due to increase in interest expense on account of increased reliance on ICDs.

In 9MFY19, however, the scale of operations increased due to trading of agro commodities like yellow peas and pulses in ATEL. The group achieved a turnover of Rs.253.39 crore and PBILDT of Rs.11.80 crore.

Liquidity

The group's debt mainly comprised working capital bank borrowings. The total debt/GCA continued to be high and deteriorated as on Mar'18 due to increase in debt at a combined level. The utilisation of bank facilities of Rs.34.50 crore of ATCPL was high at 94% in the last 12 months ended Jan 2019. The utilization of ATEL of Rs.4.30 crore, however, remained comfortable at 46% for the last 12 months ended Jan 2019.

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

Exposure to group companies:

The group's exposure to group companies was high at Rs.15.82 crore as on Mar'18 (Rs.14.87 crore as on Mar'17) in the form of non-current investments representing around 37% (Mar'17: 36%) of the net-worth as on March 31, 2018.

Exposure to vagaries of nature and resultant price risk:

The purchases of the group are not backed by orders, which expose the group's profitability to price volatility risk at the time of sale. Further, with the production of agro products being exposed to the vagaries of nature, there also exists volatility in purchase prices. This is passed on to customers, albeit with a time lag, as the sales are made at global competitive prices.

Foreign currency fluctuation risk:

The group's more than 80% of the revenue in FY18 is from export of tea to countries like Russia, Kazakhstan and Iran. This exposes the group to foreign currency fluctuation risk. The group usually borrows in dollar for its working capital needs and mitigates this risk to a large extent. For its imports, the group mostly sets off payments from the export sales, parked in EFC account.

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

The group started export of tea in the year 1994. The group's operations are managed by Mr H. R. Garg (Chairman and Managing Director of ATEL) and his sons- Mr Sunil Garg and Mr Rajesh Garg, each of whom having experience of more than two decades in tea business including international trade.

Catering to established clientele though customer concentration remains

The group has long term relationship with clients in Central Asia and the Middle East. The group had been selling a substantial portion of its tea exports to clients having established presence in their countries.

The group derives a substantial portion of its revenue from a single customer, however, the same has decreased in FY18 and 9MFY19 as the group has also identified new markets for its export of tea and has also started its trading of foodstuff business through ATEL.

Analytical approach: Combined Approach

CARE has combined the business and financial risk profiles of Asian Tea and Exports Ltd (ATEL) and Asian Tea Company Pvt. Ltd (ATCPL), as both the companies have similar operations and exhibit cash flow fungibility. Furthermore, ATEL has also given corporate guarantee to the bank facilities availed by ATCPL.

Applicable criteria:

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

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

[Rating Methodology: Factoring Linkages in Ratings](#)

[Criteria for Short Term Instruments](#)

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

About the Group:

Asian Tea and Exports Ltd (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. Currently, majority of tea blending and export is being carried out in the group entity-Asian Tea Company Pvt. Ltd, wherein ATEL holds 40% equity stake. ATCPL exports tea to countries like Kazakhstan, Russia, China and Iran. ATEL procures a major portion of tea (mainly North-Indian Tea) from tea auctions and balance requirement is met from group's own tea estates, and imports. It blends tea as per the quality requirements of importers. The group has two warehouses, one each in West Bengal and Tamil Nadu.

The group is promoted by the Garg family, who also having rich experience in tea export. The group has three tea estates in Doars, North Bengal and Assam. It also has prominent presence in real estate and has constructed various commercial properties in prime locations of Kolkata.

ATEL is a listed entity with board of directors comprising of six directors, of which three directors are from promoter's family.

Brief Financials (Rs. crore) of ATEL (Standalone)	FY17 (A)	FY18 (A)
Total operating income	20.24	10.81
PBILDT	0.56	0.03
PAT	0.16	0.02
Overall gearing (times)	0.26	0.31
Interest coverage (times)	1.02	0.06

A: Audited;

Status of non-cooperation with previous CRA: India Ratings has classified ATEL as issuer not cooperating vide press release dated September 7, 2018.

Any other information: Not applicable.

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

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

Analyst Contact:

Name: Mr. Anil More

Tel: 033-4018 1623

Mobile: 8444 867144

Email: anil.more@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.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 credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

Annexure-1: Details of 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 - LT-Cash Credit	-	-	-	4.75	CARE BB+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	3.25	CARE A4+

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	4.75	CARE BB+; Stable	1)CARE BBB-; Stable (16-Apr-18)	-	-	-
2.	Non-fund-based - ST-Letter of credit	ST	3.25	CARE A4+	1)CARE A3 (16-Apr-18)	-	-	-

CONTACT**Head Office Mumbai****Ms. Meenal Sikchi**

Cell: + 91 98190 09839

E-mail: meenal.sikchi@careratings.com**Ms. Rashmi Narvankar**

Cell: + 91 99675 70636

E-mail: rashmi.narvankar@careratings.com**Mr. Ankur Sachdeva**

Cell: + 91 98196 98985

E-mail: ankur.sachdeva@careratings.com**Mr. Saikat Roy**

Cell: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CARE Ratings Limited**

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**BENGALURU****Mr. V Pradeep Kumar**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

Email: pradeep.kumar@careratings.com**CHANDIGARH****Mr. Anand Jha**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91-0172-490-4000/01

Email: anand.jha@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 - 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691