

CARE/KRO/RL/2019-20/2303**Mr. Sunil Garg**

Director

Asian Tea & Exports Limited1st Floor, Gajraj Point,

209A, A.J.C. Bose Road

Kolkata-700017

Dec 24, 2019

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY19 (Audited) and H1FY20 (Provisional), our Rating Committee has reviewed the following rating:-

Facilities*	Amount (Rs crore)	Rating ¹	Rating Action
Long-term /Short-term bank facilities	9.00	CARE BB+;Stable/CARE A4+ (Double B Plus; Outlook-Stable/ A Four Plus)	Reaffirmed
Short-term Bank Facilities	5.50	CARE A4+ (A Four Plus)	Reaffirmed
Total	14.50 (Rupees Fourteen Crore and Fifty Lakhs only)		

2. Refer **Annexure 1** for details of rated facilities.
3. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by December 26, 2019 we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be

¹ Complete definitions of the ratings assigned are available on www.careratings.com and in other CARE publications.
(Formerly known as Credit Analysis & Research Limited)

entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. 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.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,



Vikash Rai
Analyst
vikashkumar.raai@careratings.com
Encl.: As above



Abhishek Khemka
Sr. Manager
abhishek.khemka@caretings.com

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.

Annexure 1
Details of Rated Facilities

1. Long-term/Short-term facilities

1.A. Fund Based limits

Sr. No.	Name of Bank	Nature of Facility	Amount (Rs. Crore)
1	Kotak Mahindra Bank	Cash Credit/WCDL	9.00*
	Total		9.00

*Includes sublimit of Rs.3.50crore of Letter of Credit

Total Long term/Short-term Facilities: Rs.9.00crore

2. Short term Facilities

2.A. Fund Based limits

Sr. No.	Name of Bank	Nature of Facility	Amount (Rs. Crore)
1	Aditya Birla Finance Ltd.	WCDL	5.50
	TOTAL		5.50

Total Short-term Facilities: Rs.5.50crore

Total bank facilities rated (1+2): Rs.14.50crore



Annexure 2
Press Release
Asian Tea and Export Limited

Ratings

Facilities*	Amount (Rs crore)	Rating ²	Rating Action
Long-term /Short-term bank facilities	9.00	CARE BB+;Stable/CARE A4+ (Double B Plus; Outlook-Stable/ A Four Plus)	Reaffirmed
Short-term Bank Facilities	5.50	CARE A4+ (A Four Plus)	Reaffirmed
Total	14.50 (Rupees Fourteen Crore and Fifty Lakhs only)		

*Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

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 in FY19 and H1FY20.

Rating Sensitivities

Positive Factor

- The ability of the company to enhance its scale of operations while improving PAT margin beyond 3% on sustainable basis
- Efficient management of the working capital limits within the range of 65% to 75% utilization levels.

Negative Factor

- Any un-envisaged increase in debt leading to deterioration in its capital structure and debt coverage indicators

Detailed description of the key rating drivers

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.

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.

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

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 in FY19 and H1FY20

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.

Liquidity: Adequate

Adequate liquidity characterized by sufficient cushion in cash accruals (GCA of Rs.1.13crore in FY19) vis-à-vis debt repayment obligations (Rs.0.30crore in FY19) and moderate cash balance of Rs.0.25Crore. Its bank limits are utilized in the range of 80%-85%, supported by above unity current ratio.

Analytical approach: Standalone

CARE had considered the combined approach till FY19 wherein financials of Asian Tea & Exports Limited and Asian Tea Company Private Limited were combined. However, owing to change in rating methodology on consolidation and factoring linkages in ratings, CARE has changed the analytical approach from combined to standalone.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Financial ratios – Non-Financial Sector

Rating Methodology - Wholesale Trading

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)	FY18 (A)	FY19 (A)
Total operating income	10.81	152.24
PBILDT	0.03	3.71
PAT	0.02	1.02
Overall gearing (times)	0.31	1.53
Interest coverage (times)	0.06	1.73

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

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	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	-	-	-	5.50	CARE A4+
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	9.00	CARE BB+; Stable / 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - ST-Working Capital Demand loan	ST	5.50	CARE A4+	1)CARE BB+; Stable (09-Oct-19) 2)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	9.00	CARE BB+; Stable / CARE A4+	1)CARE A4+ (09-Oct-19) 2)CARE A4+ (05-Apr-19)	1)CARE A3 (16-Apr-18)	-	-

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.

Contact us**Media Contact**

Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name - Mr. Abhishek Khemka
Group Head Contact no.-(033) 4018 1610
Group Head Email ID- abhishek.khemka@careratings.com

Relationship Contact

Name: Lalit Sikaria
Contact no. : 033 – 4018 1607
Email ID: lalit.sikaria@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Limited)

Page 6 of 7

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**