

Press Release

Asian Tea Company Private Limited

January 25, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	47.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	28.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	105.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A Three**) on the Rs. 75.00 Cr. bank facilities of Asian Tea Company Private Limited (ATCPL) and has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.30 Cr bank facilities of Asian Tea Company Private Limited (ATCPL). The outlook is '**Stable**'.

Rationale for the rating

The rating factors in the steady business position of the company as reflected from its growing revenue trend in current year and healthy order book position buoyed by repeat orders from its global vintage clientele. The ratings also factor in the established track record of the promoters. However, these strengths are partially offset by intensive working capital operations, moderate financial profile and the volatility in tea prices and agro climatic conditions.

About the Company

Incorporated in 2011, Asian Tea Company Private Limited (ATCPL), the flagship company of the Asian Tea Group. Currently, ATCPL is headed by Mr Mohit Agarwal & Mr. Sunil Garg. The promoter and directors of the company have vast experience in tea export business and have gained great insight into the nature of tea- its cultivation, manufacture, blending and marketing in the international market. The group has grown from tea plantation to tea exports and have proven track record of tea export business. The company is a Kolkata, based company, engaged in exporting of premium tea. It has group offices in Coimbatore (India), ATCPL exports tea to countries like Kazakhstan, , UAE, China, Saudi Arabia , Middle East , Europe and Germany. Tea is sourced from the tea producing areas of Assam and West Bengal directly from the Tea Estates as well as from the tea auction centres of Kolkata, Guwahati and Siliguri and balance requirement is met from domestic market. The facilities in Kolkata have been fitted with state-of-the-art mechanical blending and cleaning

units to ensure high hygiene standards and quality and their products have a shelf life of 3 years after packing.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of ATCPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

Established in 2011, the company has been operational for a decade. The key promoters, Sunil Garg & Mr. Mohit Agarwal have more than 2 decades of experience in the business. The long standing experience of the promoters and long track record of operations has helped them to establish comfortable relationships with key suppliers and reputed customers across the continents. Acuité derives comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Steady scale of operations**

The company has achieved revenues of Rs. 300.02 Cr in FY2022 as compared to revenues of Rs. 281.18 Cr in FY2021. The turnover of the company has been growing at y-o-y of more than 6.76 per cent. Further the company has already achieved revenue of around Rs.190.38 Cr. till Sep'22 (Provisional). ATCPL has an unexecuted healthy order book position to the tune of about Rs.219.00 crores as on 30th Sep,2022 which will be executed shortly in 6-7 months, thus providing moderate revenue visibility over the medium term.

The operating margin of the company declined to 3.35% in FY2022 from 4.45% in FY2021, as the freight costs have increased along with unavailability of the containers. The margins also remain susceptible to volatility in tea prices of the auction centres. The PAT margins also declined to 1.26 per cent in FY2022 as against 1.65 per cent as on FY2021. The prices of tea are linked to the auctioned prices and further to prices of tea in the international market. Significant price movements in the international market may affect the company's profitability margins. The Return on Capital Employed (ROCE) of the company stood comfortable at 11.05 per cent as on FY2022 as compared to 15.38 per cent as on FY2021. Acuite believes that going forward, the profitability margins are expected to improve over the medium term.

- **Repeat orders from overseas client**

Acuité draws comfort from the company's diversified geographical presence with exports to countries such as the Kazakhstan, Russia, UAE, China, Iran, Saudi Arabia and Germany and so on. It has a global presence in five to six nations. Having been in business for almost a decade ensures a positive relationship with consumers. Tealand Branch of RG Brand(Kazakistan) and Fuzhou Lianshengfeng International Trade Co. Ltd (China) are two of the company's most important clients accounting for ~64 per cent of its revenues. However, the company enjoys an established relationship with these customers, which have been awarding it with repeat businesses.

Weaknesses

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by moderate GCA days of 125 days as on March 31, 2022 as compared to 120 days as on March 31, 2021. The high GCA days are high primarily on account of a high other current assets consisting of other receivables and recoveries. However, the debtor period remained moderate at 66 days as on March 31, 2022 similar as previous year. Further, the inventory holding period which stood comfortable at 36 days as on March 31, 2022 as compared to 42 days as on March 31, 2021. Acuité believes that the working capital operations of the firm will remain

almost at the same levels as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

- **Moderate financial risk profile**

The company's financial risk profile is marked by modest networth, moderate gearing and average debt protection metrics. The tangible net worth of the company stood at Rs.36.25 Cr as on 31st March, 2022 as compared to Rs.32.47 Cr as on 31st March, 2021 due to accretion of profits. Gearing of the company stood moderate at 1.97 times as on March 31, 2022 as against 1.84 times as on March 31, 2021. The Total Outside Liability/Tangible Net Worth (TOL/TNW) stood at 2.17 times as on March 31, 2022 as compared to 2.25 times in the previous year. The average debt protection metrics of the company is marked by Interest Coverage Ratio of 1.96 times and Debt Service Coverage Ratio at 1.54 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.06 times as on March 31, 2022 as against 0.09 times as on March 31, 2021. Acuité believes that going forward the financial risk profile of the company will remain moderate backed by gradually improving accruals and no major debt funded capex plans.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Significant ramp up in scale of operations while improving the profitability margin
- Elongation in working capital cycle.

Material covenants

None

Liquidity Position

Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.4.44 Cr in FY2022 as against a long term debt repayment of only Rs.0.77 Cr over the same period. The current ratio stood comfortable at 1.61 times as on March 31, 2022 as compared to 1.51 times as on March 31, 2021. The cash and bank balances stood at Rs 19.05 Cr as on March 31, 2022. Additionally, the fund based limit utilized at only 7.73 per cent for the six-months ended September 2022. The company has availed additional covid loan of Rs. 8.75 Cr. However, the working capital intensive nature of operations is marked by high GCA days of 125 days as on March 31, 2022 as compared to 120 days as on March 31, 2021. Acuité believes that going forward the liquidity position of the company will improve due to gradually improving cash accruals.

Outlook: Stable

Acuité believes that the outlook on ATCPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and comfortable business risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or further elongation in its working capital cycle

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	300.02	281.18
PAT	Rs. Cr.	3.77	4.65
PAT Margin	(%)	1.26	1.65
Total Debt/Tangible Net Worth	Times	1.97	1.84
PBDIT/Interest	Times	1.96	2.16

Status of non-cooperation with previous CRA (if applicable)

Care Ratings, vide its Press Release dated 3.11.2021, reaffirmed ATCPL to CARE BB+/A4+; INC.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Dec 2022	Bills Discounting	Short Term	28.00	ACUITE A3 (Reaffirmed)
	Working Capital Term Loan	Long Term	8.75	ACUITE BBB- Stable (Reaffirmed)
	Packing Credit	Long Term	11.25	ACUITE BBB- Stable (Reaffirmed)
	Packing Credit	Long Term	27.00	ACUITE BBB- Stable (Reaffirmed)
12 Oct 2021	Term Loan	Long Term	0.50	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	7.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	3.00	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan	Long Term	7.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Short Term	0.50	ACUITE A3 (Assigned)
	Bills Discounting	Long Term	23.00	ACUITE A3 (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE A3 (Assigned)
	Packing Credit	Long Term	22.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	28.00	ACUITE A3 Reaffirmed
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	8.75	ACUITE BBB- Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	5.13	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	27.00	ACUITE BBB- Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	11.25	ACUITE BBB- Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	13.75	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	11.12	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Dipti Choudhary Management Trainee-Rating Operations Tel: 022-49294065 dipti.choudhary@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.