



Rating Rationale

Ambootia Tea Exports Pvt Ltd

17-Dec-2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹ 216.45 Crores of Ambootia Tea Exports Pvt Ltd (The Company or 'ATEPL').

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Aug, 2017)	Present
Fund based	210.00	215.95	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) (Outlook: Stable)	Upgraded to BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable)
Non Fund Based	0.50	0.50	Short Term	BWR A3 (Pronounced as Single A Three)	BWR A3+ (Pronounced as Single A Three Plus)
Total	210.50	216.45	₹ Two Hundred Sixteen Crores and Forty Five Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Rating upgraded to BBB (Outlook:Stable) / A3+

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18 and projected financials of FY19, FY20 & FY21, publicly available information and information/clarification provided by the Company's management.

The rating continues to derive strength from the extensive experience of the promoters in the line of business for more than three decades, established relationship with reputed customers, ongoing growth by diversifying into non-tea but related agro-products business (Organic agro products like Turmeric, Ginger etc.) by leveraging existing distribution channels. The rating is further supported by infusion of capital in FY18 and proposed further infusion in FY19. However, the rating is constrained by the relatively low profitability margins, working capital intensive nature of business and competition from other players. Going forward, the Company's ability to achieve projected sales turnover and profitability margin while maintaining gearing level and efficiently managing working capital will be the key rating sensitivities.



Description of Key Rating Drivers

Credit Strengths:

- **Long track record of promoters and The Company:** The promoters have extensive experience in tea plantation and trading of tea for more than three decades. Mr Hrithik Bansal, son of Mr Sanjay P Bansal, has rejoined the business full time as Chief Strategy Officer for the Ambootia Group. In addition to that, in December 2017, Mr Indroneel Goho was inducted as the Group CEO, earlier to this he was MD for reputed agro based company in India. Overall, the Group is in the process of scaling up operations and also brand image in Agro Industry as well.
- **Reputed clientele and healthy order book position:** Being in tea industry for more than three decades, it continues to maintain well known clientele base in international market for its own brand “Ambootia” tea products. Currently, it has healthy order in hands from new and existing clients. As a result, y-o-y its revenue is increasing trend.
- **Strategic decision to leverage existing distribution channel :** During FY19, the Company has taken strategic decision to step into non-tea business (Organic spices like Turmeric,Ginger etc.), which provides possible increment in revenue visibility in forthcoming years. Moreover, the Company has formulated Policy of Procurement and Training of Farmers for Organic Farming of Spices which will support the Company to procure regularly.
- **Liquidity Position :** During FY18, net cash accruals stood to ₹ 4.91 Crs and cash and cash equivalent has improved to ₹ 6.73 Crs and limited in financial flexibility since on account of continuous utilization of working capital which is more than 90% for last six months. However, the promoters has brought unsecured loan ₹ 44.97 Crs to support working capital and further the Company has proposed to infuse equity of ₹ 44 Crs to support ongoing growth of the Company.

Credit Risks:

- **General Risks Associated with trading business:** The Company is operating in trading business, where overall usage of working capital is high and, as a result less financial flexibility and low profit margin. However, the promoters have capability to infuse capital as when required.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Ambootia Tea Exports Pvt. Ltd.** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement while maintaining gearing and working capital cycle. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



About the Company

Ambootia Tea Exports Private Limited (ATEPL) is a private Limited was incorporated in 2009 by Mr Sanjay P Bansal and Ms Reena Bansal. ATEPL is engaged in tea business (Majorly Orthodox organic tea) and Non Tea business (Turmeric, Ginger Etc.) . Currently, the Company is majorly buying Darjeeling orthodox organic tea through tea auctions from different tea auctions centres. ATEPL has 12 warehouse (10 in Kolkata and 2 in Coimbatore) with area of ₹ 2,67,700 Sq.ft. ATEPL has a reputed client base and has been successful in obtaining repeat orders from its customers. Mr Sanjay Bansal is the Chairman & Managing Director of the Company and his wife Ms Reena Bansal, both are directors of the Company and supported by a team of professionals.

Group Companies

There are four companies collectively called Ambootia group which includes Darjeeling Organic Tea Estates Private Limited (15 Estates) and Bhumya Tea Co private Limited (1 Estate), both the Companies are into tea plantation, processing and trading of Tea. Other two companies are namely Ambootia Tea Exports Private Limited (Trading of Tea and Non-tea business like organic agro products like Turmeric,Ginger etc.) and Bush Tea Co Private Limited (Trading of tea). Ambootia Tea Group is an integrated tea producer involved in tea plantation, processing, warehousing, blending, packaging, marketing and exporting of Tea. It exports to many countries as follows U.K, Ireland, Germany, U.S.A., Egypt, Japan, Middle East, Central Asia, Australia, New Zealand amongst other nations. Ambootia Tea Group is an expanding conglomerate presently having 15 Tea Gardens in Darjeeling and 3 in Assam. The group has a Star Export House recognized by the Government of India.

Company Financial Performance

The Company has recorded operating income of ₹ 405.45 Crs in FY18 against ₹ 343.87 Crores in FY17 registering a 17.91% increase over the previous year . Other Key indicators are in the below table.

Key Financial Indicators

Key Parameters	Units	2017 (A)	2018 (A)
Operating Revenue	₹ Cr	343.87	405.45
EBITDA	₹ Cr	13.13	22.15
PAT	₹ Cr	1.42	3.73
Tangible Net worth	₹ Cr	61.48	90.20
Total Debt/Tangible Net worth	Times	2.89	2.48
Current Ratio	Times	1.37	1.45



Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	17-Aug-2018	12-Jul-2017	2016
1	Fund Based	Long Term	215.95	BWR BBB (Stable)	BWR BBB- (Stable)	BWR BBB- (Stable)	-
2	Non Fund Based	Short Term	0.50	BWR A3+	BWR A3	BWR A3	-
Total			216.45	₹ Two Hundred Sixteen Crores Forty Five Lakhs Only			

Any other information

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website



Ambootia Tea Exports Pvt Ltd
Annexure I
Details of Bank Facilities

₹ Crs		Union Bank of India	Bank of Baroda	Allahabad Bank	State Bank of India	United Bank of India
Fund Based	Running PC/EPC/PCFC	20.00	17.50	22.50	21.00	125.00
	Term Loan	-	-	-	9.95	-
	FBP/FBD/FBN (Sublimit of RPC)	(20.00)	(17.50)	(5.00)	-	(15.00)
	Advance Foreign Bill Collection (Sublimit of FBP/FBD/FBN)	-	-	-	-	(15.00)
	Long Term Total	20.00	17.50	22.50	30.95	125.00
Non Fund Based	LC/BG	-	-	-	-	0.50
	Short Term Total	-	-	-	-	0.50

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.



About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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