



**Rating Rationale**

**AB Chem (India)**

**10 Mar 2017**

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of AB Chem (India)**

**Particulars:**

Facility	Previous Limit	Current Limit	Tenure	Assigned	
				Previous (Dec, 15)	Current
Cash Credit	10.00	10.00	Long Term	BWR BBB (Pronounced as Triple B)	BWR BBB (Pronounced as Triple B) (Reaffirmed) Outlook: Stable
LC	87.00	87.00	Short Term	BWR A3+ (Pronounced as Single A Three Plus)	BWR A3+ (Pronounced as Single A Three Plus) (Reaffirmed)
Derivatives	3.00	3.00			
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>Rupees One Hundred Crore only</b>		

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Rating Reaffirmed**

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has principally relied upon the audited financial results up to FY16, projected financials up to FY18, publicly available information and information / clarifications provided by the company.

The ratings continue to draw comfort from the extensive experience of the promoters in the business, consistent improvement in its top line growth, low gearing, comfortable debt protection metrics, Jindal Oil Group’s strong financial risk profile marked by comfortable capital structure & absence of term debt borrowings. The ratings are, however, constrained by constitution of the firm as a partnership concern, decline in net margins, exposure to risk arising from the volatility in forex and highly fragmented & competitive industry. Going forward, managing receivables & payables efficiently would be the key rating sensitivity.

**Rating Outlook: Stable**

BWR believes the AB Chem (India)’s 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 there is a sustained improvement in the the revenues and profits of the company. The rating outlook may be revised to 'Negative' if the revenues and profits reduce due to non implementation of the same.



**About the Company:**

ABCI was incorporated as a partnership firm in 2007. It is a part of the Jindal Oil group. The current partners of AB Chem are Mr Bishnu Kumar, Mr Deepak Goyal, Ms Renu Jindal and Mr Umang Jindal and profit sharing ratio is 20%, 20%, 40% & 20% respectively. The firm is engaged in the manufacturing of pesticides, insecticides and crop saving material and has its manufacturing facilities in Sambha, Jammu. In addition to this, the firm is also engaged in high seas trading, whereby it imports crude palm oil (CPO) and sells it to the domestic oil refining companies. Firm’s pesticides manufacturing unit is located at Jammu, with the installed capacity of about 16660 KL per annum and is being operated at 85-90% of its installed capacity. The firm also enjoys fiscal benefits as it is exempted from excise duty due to its manufacturing facility being located in tax-free zone.

**Jindal Oil Group:**

Jindal Oil Group is a well-established group in North India having its corporate office at New Delhi. The group is promoted by Shree Bishnu Kumar and Shree Hemant Jindal who have vast experience and proven record in the field of manufacturing, processing, trading, Real Estate and educational activities.

**Company Financial Performance**

The company generated total operating revenue of Rs. 356.55 Crores in FY16 as against Rs 293.30 Crores in FY15. The company generated Profit after Tax of Rs. 2.77 Crores in FY16 as against Rs. 8.30 Crores in FY15.

**Rating History for the last three years (including withdrawn/suspended ratings)**

Facility	Tenure	Rating Assigned (2017)			Rating History		
		Previous Amount (Rs. Crs)	Amount (Rs. Crs)	Rating	2016	2015	2014
<b>Fund Based:</b> Cash Credit	Long Term	10.00	10.00	BWR BBB (Pronounced as Triple B) (Reaffirmed) Outlook: Stable	-	BWR BBB	BWR BBB-
<b>Non Fund Based:</b> Letter of Credit FC/CL/ Derivative	Short Term	87.00 3.00	87.00 3.00	BWR A3+ (Pronounced as Single A Three Plus) (Reaffirmed)	-	BWR A3+	BWR A3
<b>Total</b>		<b>100.00</b>	<b>100.00</b>	<b>Rupees One Hundred Crore only</b>			



## Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<u>R.K. Sharma</u> GM Ratings <a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
	Relationship Contact
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

### For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

### 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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

### DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.