



## Rating Rationale

AB Chemicals India Pvt Ltd

5 Feb 2018

**Brickwork Ratings upgrades the ratings for the bank loan facilities aggregating Rs. 45.00 Cr of AB Chemicals India Pvt. Ltd. (ACPL or ‘the Company’).**

### Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating <sup>1</sup>	
	Previous	Present		Previous	Present
<b>Fund Based</b> Cash Credit	2.00	2.00	<b>Long Term</b>	BWR BB+ (Outlook Stable)	BWR BBB – (BWR Triple B Minus) (Outlook Stable) (Upgrade)
<b>Non Fund Based</b> LC/FLC	43.00	43.00	<b>Short Term</b>	BWR A4+	BWR A3 (BWR A Three) (Upgrade)
<b>Total</b>	<b>Rs. 45.00 Crores (INR Forty Five Crores Only.)</b>				

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

**Long Term Rating upgraded to BWR BBB – (Stable outlook). Short Term Rating upgraded to BWR A3.**

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

BWR has essentially relied upon the Company’s audited financial results upto FY17, provisional financials till 03.01.2018, projected financials for FY18 and FY19, publicly available information and clarifications provided by the Company.

The ratings draw strength from the promoter’s extensive experience with established track record in this sector, consistent improvement in its top line over the past three years, conversion of its entire un-secured loans into equity coupled with lower utilization of its outstanding cash credit limits in the current financial and comfort drawn from its group support in terms of operational and financial support along with satisfactory feedback from the lenders.

The ratings, however, continue to factor in the moderate scale of operations along with lower profitability margins, exposure to risk arising from price fluctuation, forex risks, commodity risks and regulatory changes.

#### Key Rating Drivers



### **Credit Strengths:**

Experienced promoters with established track record: The Company benefits from the long term experience of the promoters in this sector. The Company is promoted by Mr. Kapil Romana and Mr. Aman Garg, having over 15 years of experience in this trade. Mr. Kapil Romana manages the procurement and marketing of products imported and Mr. Aman Garg looks after the other routine business affairs of the Company.

Consistent Improvement in its turnover: ACPL's turnover has increased by 26.76%, from Rs. 84.45 Crs to Rs. 105.56 Crs during FY17. It has achieved a turnover of Rs. 85.42 Crs as on 03.01.2018 and expects to cross over Rs. 110 Crs during FY18. The management is also submitting a proposal for enhancement in its Non-Fund Based limits in the next financial year and thus expects to achieve a turnover of around Rs. 130 Crs for FY19.

Infusion of additional capital by the promoters: The promoters converted its outstanding of un-secured loans of Rs. 5 Crs into equity as on 03.01.2018 for its operations and thus TNW of the Company has increased to Rs. 15.64 Crs. There were no other secured loans reported during FY17. It has availed CC limit of Rs. 2 Crs (sanctioned amount) as on date which has below average utilization throughout the year. ACPL avails mainly Non Fund Based limits for its operations with usance period of 180 days.

Group Support: The Company is a part of the "Homeland Group", based in Bathinda which provides business synergies and financial support. The Group comprises diversified businesses including trading of edible oils, agro based business, pesticides etc. It has reported a turnover of Rs. 1064.40 Crs (FY16: Rs. 922.14 Crs) with a TNW of Rs. 75.30 Crs during FY17.

### **Credit Weaknesses**

Low profitability margins: The Company has reported below average profitability margins owing to trading nature of business. The net profit margins of the Company stood at 0.32% (FY16: 037%) during FY17.

Exposure to risks arising from price fluctuation, forex risks, counter party risks & regulatory changes: In case of high-seas or merchant trade, there is a time gap between imports and actual sales made which may lead to a significant price fluctuation problems. ACPL is also exposed to FX fluctuation risks, as it make purchases in USD and sells it at INR prices in the domestic market. Further, counter party risk can also arise as ACPL deals with few major customers located at Kandla port. In the event of these customers failing to take delivery or delaying in making payments, the Group's receivable levels may increase significantly over the medium term.

### **Analytical Approach**

BWR has applied its rating methodology on a standalone basis, as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).



### Rating Outlook: Stable

BWR believes **AB Chemicals India Pvt. Ltd'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 the company increase its scale of operations significantly along with improvement in profitability levels over the medium term. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### About the Company

AB Chemicals India Pvt Ltd (ABC) was incorporated in Sept 2012 at Bathinda, Punjab and commenced its business operations in Dec 2013. The Company is a part of the "Homeland Group", based in Bathinda. The Group is engaged in the import of edible oil such as crude palm oil (CPO) etc. and sells the same in domestic markets on high sea sale basis (~80%) and merchant trading basis (~20%).

### Company Financial Performance

The Company has reported a total operating income of Rs. 107.05 Crs in FY17 as against Rs. 84.45 Crs in FY16. It has reported a net profit of Rs. 0.34 Crs during FY17 as against Rs. 0.31 Crs during FY16. The promoters converted its unsecured loans of Rs. 5.00 Crs into share capital and thus TNW of the Company has increased from Rs. 10.03 Crs in FY17 to Rs. 15.64 Crs as on 03.01.2018.

Key financial indicators are summarized below.

Particulars	FY16 (A)	FY17 (A)
Total Operating Income (Rs. Crs)	84.45	107.05
EBITDA (Rs. Crs)	1.11	1.50
PAT (Rs. Crs)	0.31	0.34
Total Tangible Networkth (Rs. Crs)	9.69	10.03
Gearing (TOL/TNW) Ratio (times)	2.95	4.30
ISCR (times)	1.42	1.52

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

Sl. No.	Facility	Current Rating (FY2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	14 March 2017	14 April 2016	16 March 2015
1	Fund Based Cash Credit	Long Term	2.00	BWR BBB – (Stable) (Upgrade)	BWR BB+ (Stable)	BWR BB (Stable)	BWR BB –
2	Non Fund Based ILC/FLC	Short Term	43.00	BWR A3 (Upgrade)	BWR A4+ (Upgrade)	BWR A4 (Reaffirmed)	BWR A4
<b>Total</b>			<b>45.00</b>	<b>INR Forty Five Crores Only</b>			





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.