

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Loan Facilities aggregating ₹30.00 Cr of AB Chemicals India Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for the Bank Loan Facilities of AB Chemicals India Pvt. Ltd. ('ABC' or 'the Company'):

Facility	Limits ( ₹Cr)	Tenure	Rating
<b>Fund Based</b> ODBD	<b>2.00</b>	<b>Long Term</b>	<b>BWR BB -</b> (BWR Double B Minus) <b>(Outlook : Stable)</b>
<b>Non Fund Based</b> FLC/ILC	<b>28.00</b>	<b>Short Term</b>	<b>BWR A4</b> (BWR A Four)
<b>Total</b>	<b>30.00</b>	<b>(INR Thirty Crores only)</b>	

BWR has principally relied upon the audited financial statements up to FY14, projections upto FY16, publicly available information and information/clarifications provided by the company's management.

The rating assigned derive comfort from the extensive industry experience of the promoters and support from the group (Homeland Group, Bathinda) in view of commonality of management and significant business synergies. The ratings are, however, constrained by the relatively small scale of operations, low profitability inherent to the trading business, significant dependence on import of raw materials, exposure to risks arising from the volatility in the commodity prices and regulatory changes, presence in a highly competitive and fragmented industry and limited track record of operations of the company.

#### Background:

AB Chemicals India Pvt Ltd (ABC) was incorporated in 2012 at Bathinda, Punjab and commenced its operations in December 2013. The Company is engaged in the trading of edible oils such as crude palm oil, soya bean oil etc. ABC imports crude palm oil and soya bean oil from overseas markets and sells it on high sea sale basis.

#### Management Profile:

Homeland Group comprises of diversified businesses including real estate development, trading of edible oils, manufacturing of agro commodities and fertilizers & pesticides etc. The promoters of the Group are Mr. Hemant Jindal and Mr. Bishnu Goyal. Most of the Companies under the

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

Group are led directly by the promoters themselves or by their sons. Presently, the Directors of the Company are Mr. Kapil Romana and Mr. Aman Garg.

### Financial Performance:

During the first year of operations (3 M FY14), company has reported Total Operating Income of Rs. 40.38 Crs with a PAT of Rs. 0.12 Crs. Further, on a provisional basis, AB Chemicals has reported revenue of Rs. 40.00 Cr for the half year ended Sept 2014 and expects to achieve a turnover of Rs. 74.00 Crs in FY15.

### Rating Outlook

The rating outlook is expected to be stable over the current year. Going forward the Company's ability to increase its scale of operations, improve its profitability amidst volatility in the commodity prices, and ensure continued funding support from promoters and the group companies shall be the key rating sensitivities.

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