

Rating Rationale

Brickwork Ratings revises the rating to “BWR BB/A4” for the Bank Loan Facilities aggregating ₹ 30.00 Cr of AB Chemicals India Pvt. Ltd., Bathinda.

Brickwork Ratings (BWR) has revised the **Ratings¹** for the Bank Loan Facilities of AB Chemicals India Pvt Ltd. (‘ABC’ or the ‘Company’), as follows:

Facility	Previous Amount (₹ in Cr)	Rating Amount (₹ in Cr)	Tenure	Ratings History	Ratings after review ¹
Fund Based Cash Credit	2.00	2.00	Long Term	BWR BB – (BWR Double B Minus) Outlook: Stable March 2015	BWR BB (BWR Double B) Outlook: Stable (Upgraded)
Non-Fund Based Letter of Credit	28.00	28.00	Short Term	BWR A4 (BWR A Four) March 2015	BWR A4 (BWR A Four) (Reaffirmed)
Total	30.00	30.00	(INR Thirty Crores Only)		

The ratings continue to draw comfort from the extensive experience of the promoters of the Homeland Group, absence of any term debt, consistent improvement in topline, group support besides satisfactory feedback from the bankers. The ratings are, however, constrained by the Company’s low profitability margins, inherent to its trading nature of business, moderate scale of operations and exposure to risks arising from the volatility in commodity prices & regulatory changes.

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 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.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

ABC's turnover increased from Rs. 41.03 Cr in FY14 to Rs. 76.91 Cr in FY15. On a provisional basis, the company has achieved a turnover of Rs. 84.44 Cr in FY16. It has reported PAT of Rs. 0.31 Cr in FY15 as against Rs. 0.12 Cr in FY14. Tangible Networth of the company stood at Rs. 9.38 Cr in FY15. Most of the bank limits are non-fund based in nature, for which the company has deposited adequate margin money with the bank.

Rating Outlook

ABC has reported consistent improvement in its top line growth over the past three years coupled with adequate capital structure and absence of any term debt borrowings. However, due to trading nature of business, profit margins continue to remain at less than 1% level.

The rating outlook is expected to remain stable over the current year. Going forward, the ability of the Company to significantly increase its scale of operations, improve its profitability & maintained its capital structure shall be the key rating sensitivities.

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