



Rating Rationale

AB Crops Pvt. Ltd.

08 Feb 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 24 Crores of AB Crops Pvt. Ltd. ('AB Crops' or 'The Company')

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Nov 2017)	Present
Fund based Cash Credit	2.00	2.00	Long Term	BWR BB - (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB - (Pronounced as BWR Double B Minus) Outlook: Stable (Reaffirmed)
Non Fund Based ILC/FLC	22.00	22.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) (Reaffirmed)
Total	24.00	24.00	INR Twenty Four Crores Only		

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

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

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

The ratings draw strength from the promoters' experience, with established track record in this sector, moderate gearing with absence of any secured term loans, comfort drawn from its group support in terms of operational and financial synergies and satisfactory feedback from its existing lenders.



The ratings, however continue to factor in the lower net profit margins during FY18, small scale of operations coupled with declining turnover and profitability levels, exposure to risks arising from price fluctuation, forex risks, commodity risks and regulatory changes besides a highly competitive industry due to fragmentation.

Description of Key Rating Drivers

Credit Strengths:

Group Support: The Company is a part of the “Homeland Group”, based in Bathinda which provides business synergies and financial support. Homeland Group (See Annexure I below) comprises companies / firms having diversified businesses including real estate development, trading of edible oils, manufacturing of agro commodities and fertilizers & pesticides etc.

Experienced promoters with established track record: The Homeland Group benefits from the long term experience of the promoters in this sector. The directors of the Company are Mr. Darshan Paul and Mrs. Richa Garg.

Moderate gearing profile: Gearing ratio stood at 0.33x coupled with absence of any secured term loans during FY18. It has availed cash credit limit of Rs. 2 Cr (sanctioned amount) as on date which has average utilization throughout the year. It avails majorly non-fund based limits for its operations with usance period of 180 days.

Credit Risks:

Low profitability levels: Net profit margins continue to remain low owing to trading nature of its business. The net profit margins of the Company stood at 0.28% (P.Y. 0.22%) during FY18.

Small Scale of Operations: The Company’s operations continues to remain small coupled with declining turnover levels during FY18. Turnover declined from Rs. 68.76 Cr in FY17 to Rs. 62.46 Cr in FY18.

Exposure to risks arising from price fluctuation, forex risks, counterparty 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. The Company is also exposed to FX fluctuation risks, as it make purchases in USD and sells it at INR prices in the domestic market. Further, counterparty risk can also arise as the Company 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.

Liquidity position of the Company

Liquidity position of the Company remains at moderate level considering minimum requirement of Fund Based limits for this type of trading business. The Company avails mainly LC’s (Non Fund Based limits) for its operations with usance period of 180 days. In this trade, the Company



usually get payments from its customers before FLC's due date and thus can utilize funds for their other means. Hence ability of the Company to make funds available as and when FLC's gets due remain the key rating sensitivity. Cash & Cash equivalents (including fixed deposits) stood at Rs. 7.20 Cr (P.Y. Rs. 5.36 Cr) for FY18.

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 **AB Crops 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 revenues and profit show sustained improvement. 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 Crops Pvt Ltd (AB Crops) was incorporated in May 2011 based in Bathinda, Punjab. It is engaged in the trading of edible oil such as crude palm oil, soya bean oil, etc. by importing the same from overseas market and selling in domestic market on high sea sale basis. The Company is promoted by Mr. Darshan Paul and Mrs. Richa Garg. The company is a part of Homeland Group which comprises diversified businesses including real estate development, trading of edible oils, manufacturing of agro commodities and fertilizers & pesticides etc, most of which are family controlled businesses.

Company Financial Performance

The Company has reported a total operating income of Rs. 62.46 Cr in FY18 as against Rs. 68.76 Cr in FY17. It has reported a net profit of Rs. 0.17 Cr during FY18 as against Rs. 0.15 Cr during FY17. The total tangible net worth of the Company stood at Rs. 4.78 Cr in FY18.

Key financial indicators of AB Crops Pvt. Ltd are summarized below.

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs. Crores	62.46	68.76

EBITDA	Rs. Crores	0.83	0.98
PAT	Rs. Crores	0.17	0.15
Tangible Net worth	Rs. Crores	4.78	4.61
Total Debt/Tangible Net worth	in Times	0.33	0.33
Current Ratio	in Times	1.23	1.25

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

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	24 Nov 17	14 Mar 17	07 Mar 2016
1	Fund Based Cash Credit	Long Term	2.00	BWR BB - (BWR Double B Minus) (Reaffirmed)	BWR BB - (BWR Double B Minus) (Upgrade)	BWR B+ (BWR Single B Plus) (Reaffirmed)	BWR B+ (BWR Single B Plus)
2	Non Fund Based ILC/FLC	Short Term	22.00	BWR A4 (BWR A Four) (Reaffirmed)	BWR A4 (BWR A Four) (Reaffirmed)	BWR A4 (BWR A Four) (Reaffirmed)	BWR A4 (BWR A Four)
	Total		24.00	₹ Twenty Four Crores Only			

Annexure I

S.No.	Companies/Firms under Homeland Group
1	AB Chem India
2	AB Chemicals India P Ltd
3	HM Overseas P Ltd
4	AB Crops P Ltd
5	AB Infra Investments P Ltd
6	AB World Trade P Ltd
7	GH Crop Science P Ltd
8	GI Industries P Ltd
9	Farming Resources LLP



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

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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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



DISCLAIMER

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