

Rating Rationale

AB Crops Pvt. Ltd.

24 November 2017

Brickwork Ratings upgrades the long term rating and reaffirms the short term rating for the bank loan facilities aggregating Rs.24 Cr of AB Crops Pvt. Ltd.

Particulars

Facility Rated	Amount (Rs. Crs.)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based Cash Credit	2.00	2.00	Long Term	BWR B + (Stable)	BWR BB – (BWR Double B Minus) (Outlook: Stable) (Upgrade)
Non-Fund Based FLC/ILC	22.00	22.00	Short Term	BWR A4 (BWR A Four)	BWR A4 (BWR A Four) (Reaffirmation)
Total	Rs.24.00 Crores (INR Twenty Four Crores only.)				

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Long term rating upgraded to BWR BB- (Stable outlook). Short term rating reaffirmed at A4.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The revision in the long term rating factors in the significant improvement in financial profile of AB Crops Pvt. Ltd. (ABCPL or ‘the Company’) viz. operating income growth owing to improved domestic demand for crude palm oil, comfortable gearing profile with absence of any secured loans, continuous operational and financial support from the Bhatinda based Homeland Group having common business synergies and satisfactory feedback from the lenders. The ratings are, however, constrained by lower profitability margins, exposure to risks arising from price fluctuation, forex risks, commodity risks and regulatory changes.

Credit Strengths:

Experience Promoters: The group is promoted by Mr. Bishnu Kumar who looks after the imports of edible oil and its sales and is engaged in this business trade since 1976. The other key

promoter is Mr. Kapil Romana who looks after the overall operations of its group companies and has an experience of over 15 years in this business trade.

Comfortable Gearing profile: Gearing ratio of the company is at the comfortable level during FY17 owing to absence of any secured loans in its balance sheets. It has availed working capital limits of Rs. 2.00 Crs (sanctioned amount) which does not get utilized as it avails mainly Non Fund Limits for its operations. Debt Equity ratio of the company stood at 0.33 times during FY17.

Improvement in its Total Operating Income: The Company's total operating income increased significantly from Rs. 48.07 Crs to Rs. 68.76 Crs during FY17 owing to improved domestic demand for crude palm oil. It has achieved a total operating income of Rs. 34.41 Crs for 6M FY18 which is line with its estimated figures for FY18.

Group Support: There is a continuous operational and financial support from Homeland Group considering having common business synergies among its group companies. The Group has reported a total operating income of Rs. 1064.40 Crs with a tangible net worth of Rs. 75.30 Crs during FY17.

Credit Weaknesses:

Low Profitability Levels: Due to trading nature of business, net profit margins remains at low levels during FY17. Net profit margins of the Company stood at 0.22% in FY17. However, there is a ready buyer for crude palm oil in the domestic market and this trade is characterized by low profitability margins.

Exposure to price fluctuation risk & forex risks: In case of high-seas or merchant trading, there is a time gap between imports and actual sales made which may lead to a significant price fluctuation risks. The Company is also exposed to unhedged forex risks as it imports products from South East Asian countries.

Counter Party Risks: The Company is exposed to counter party risks, as it deals with few major customers located near the port. In case the customer fails to take the delivery or delay in making payments, the receivables levels may increase significantly.

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 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, gearing ratio deteriorated and profit margins show lower than expected figures.

About the Company

AB Crops Pvt. Ltd. (ABCPL) is part of Homeland Group, incorporated in the year 2011 and based in Bathinda, Punjab. It is engaged in trading of edible and non-edible oils. The Company, along with all its group entities, is engaged in the trading of non-edible and edible oils such as crude palm oil, soya bean oil, etc. by importing the same from overseas markets and selling in domestic markets on merchant trading basis. The Total Operating Income of the Group is ~ Rs. 1064.40 Crs with a tangible net worth of Rs. 75.30 Crs for FY17.

Company Financial Performance

The Company has reported a total operating income of Rs. 68.76 Crs in FY17 as against Rs. 48.07 Crs in FY16. It has reported a net profit of Rs. 0.15 Crs during FY17 as against Rs. 0.11 Crs during FY16. As on 31st March 2017, it has reported a tangible net worth of Rs. 4.61 Crs against Rs. 4.46 Crs as on 31st March 2016

Key Financial indicators are summarized in Annexure I below.

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

Sl. No.	Facility	Current Rating (FY2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	FY2017	FY2016	FY2015*
1	Fund Based Cash Credit	Long Term	2.00	BWR BB – (Stable) (Upgrade)	BWR B+ (Stable) (Reaffirmed)	BWR B+ (Stable) (Reaffirmed)	BWR B+ (Stable) (Reaffirmed)
2	Non Fund Based ILC/FLC	Short Term	22.00	BWR A4 (Reaffirmed)	BWR A4 (Reaffirmed)	BWR A4 (Reaffirmed)	BWR A4 (Reaffirmed)
Total			24.00	INR Twenty Four Crores Only			

*FY refers to the period from 1st April to 31st March

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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Annexure I – Key Financial Indicators

Particulars	FY16 (A)	FY17 (A)
Total Operating Income (Rs. Crs)	48.07	68.76
EBITDA (Rs. Crs)	0.75	0.98
PAT (Rs. Crs)	0.11	0.15
Total Tangible Networth (Rs. Crs)	4.46	4.61
Gearing (TOL/TNW) Ratio (times)	5.39	5.20
Current Ratio (times)	1.20	1.25

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, 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.