



Rating Rationale

AB Infra Investments Pvt Ltd

29 July 2019

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of Rs. 48 Crores of AB Infra Investments Pvt. Ltd ('AB Infra' or 'The Company')

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March 2019)	Present
Fund based Cash Credit	2.00	2.00	Long Term	BWR D (Pronounced as BWR D)	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable (Upgrades)
Non Fund Based ILC/FLC	46.00	46.00	Short Term	BWR D (Pronounced as BWR D)	BWR A4 (Pronounced as BWR A Four) (Upgrade)
Total	48.00	48.00	INR Forty Eight 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: Upgraded

Rationale:

BWR revised the Company's outstanding ratings to BWR D on 30 March 2019 considering instances of devolvement in a letter of credit due to liquidity issues faced by the Company. However, its lenders have now confirmed that the Company's bank loan facilities are running regular and satisfactory since April 2019. The Company is now regularly making payments before FLC's due dates.

BWR has essentially relied upon the Company's audited financial results upto FY18, C.A. certified financials for FY19, projected financials up to FY21, publicly available information and clarifications provided by the Company.



The ratings upgrade factors in the satisfactory feedback from its lenders regarding its conduct status since April 2019, promoters' experience with established track record in this sector, improvement in its turnover levels and comfort drawn from its group support in terms of operational and financial synergies.

The ratings, however continue to factor in the lower net profit margins being trading nature of business, below average liquidity position coupled with high trade payables reported, exposure to risks arising from price fluctuations, forex risks, commodity risks and regulatory changes besides a highly competitive industry due to fragmentation.

Rating Sensitivities:

The rating of the Company remains sensitive to improve liquidity position & its conduct status, increase its revenue growth by at least 20% and improve its profitability margins in the current financial year and recovery of advances extended to various entities over the past three years. BWR may revise the ratings, if the Company unable to achieve the aforesaid numbers.

Description of Key Rating Drivers

Credit Strengths:

Experienced promoters with established track record: The company belongs to the Homeland Group which benefits from the long term experience of the promoters in this sector. The directors of the Company are Mr. Kamal Kumar and Mr. Gagandeep Garg. Mr. Kapil Romana and Mr. Bishnu Kumar (promoters of the Homeland Group) look after the overall business operations of the Homeland Group.

Satisfactory feedback from its lender: The Company's existing lender had confirmed that the Company's bank loan facilities are running regular and satisfactorily. The Company is regularly making payments before FLC's due dates.

Group Support: The Company is a part of the "Homeland Group", based in Bathinda which provides business synergies and financial support. Homeland Group comprises diversified businesses including real estate development, trading of edible oils, manufacturing of agro commodities and fertilizers & pesticides etc.

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 remains at 0.27% during FY19.

Exposure to risks arising from price fluctuations, forex risks, counterparty risks & regulatory changes: In cases 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 markets. 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 delay in making payments, the Group's receivable levels may increase significantly over the medium term.



Liquidity position of the Company

Liquidity position of the firm remains at below average levels as it reports high trade payables against the current assets (excluding short-term loans & advances) available coupled with significant amount of funds being provided to its various group entities during FY19. Cash & Cash equivalents (including fixed deposits) are reported to be around Rs. 8.35 Cr (P.Y. Rs. 11.01 Cr) during FY19. It has availed working capital limit of Rs. 2Cr (sanctioned amount) with average utilization of above 95% since March 2019. Majority of its limits are Non Fund Based LC 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 the ability of the Company to make funds available as and when FLC's gets due remain the key rating sensitivity.

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 Infra Investments 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 sustain its turnover growth, liquidate advances provided to various entities over the past three years and profit show significant 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 Infra Investments Pvt Ltd (ABI) was incorporated in 2013 at Bathinda, Punjab, and commenced its business operations in February 2014. ABI is engaged in the trading of edible oil such as crude palm oil, soya bean oil, RBD (Refined, Bleached & Dried) etc. by importing the same from overseas markets and selling in the domestic markets on high seas sale basis. It sells domestically (all over India) to the cooking oil refining companies through agents/brokers. The Company is promoted by Mr. Kamal Kumar and Mr. Gagandeep Garg. The Company belongs to the Homeland Group which comprises of diversified businesses including trading of edible oils, agro based business, pesticides etc.

Company's Financial Performance

Key financial indicators of AB Infra Investments Pvt Ltd are summarized below:

Key Parameters	Units	2019	2018
Result Type		Provisional	Audited
Turnover	Rs. Crores	130.52	123.08
EBITDA	Rs. Crores	3.79	1.74

PAT	Rs. Crores	0.36	0.30
Tangible Net worth	Rs. Crores	7.75	7.39
Total Debt/Tangible Net worth	in Times	1.75	1.58
Current Ratio	in Times	1.43	1.39

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	30 Mar 2019	28 Nov 2017	14 Mar 2017
1	Fund Based Cash Credit	Long Term	2.00	BWR B+ (BWR Single B Plus) (Stable) (Upgrade)	BWR D (BWR Single D) (Downgrade)	BWR BB (BWR Double B) (Stable) (Reaffirmed)	BWR BB (BWR Double B) (Stable)
2	Non Fund Based ILC/FLC	Short Term	46.00	BWR A4 (BWR A Four) (Upgrade)	BWR D (BWR Single D) (Downgrade)	BWR A4 (BWR A Four) (Reaffirmed)	BWR A4 (BWR A Four)
	Total		48.00	₹ Forty Eight Crores Only			

Status of non-cooperation with previous CRA - N.A.

Any other information: Nil

Annexure I - Instrument/Bank Facility Details

ISIN	Instrument/Facility	Date of Sanction	Coupon Rate	Maturity Date	Amt. in Rs. Cr	Current Rating & Outlook
-	Fund Based	-	-	-	2.00	BWR B+ (Stable)
-	Non Fund Based	-	-	-	46.00	BWR A4

Annexure II

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

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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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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