



## Rating Rationale

AB World Trade Pvt. Ltd.

08 Feb 2019

**Brickwork Ratings revises the long term rating and reaffirms the short term rating for the Bank Loan Facilities of ₹ 32.50 Crores of AB World Trade Pvt. Ltd.**

## Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Nov 2017)	Present
Fund based Cash Credit	2.50	2.50	Long Term	BWR BB - (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable (Upgrade)
Non Fund Based ILC/FLC	30.00	30.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) (Reaffirmed)
<b>Total</b>	<b>32.50</b>	<b>32.50</b>	<b>INR Thirty Two Crores and Fifty Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

## Ratings: Long term Rating Upgraded and Short term Rating Reaffirmed

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company's audited financial results upto FY18, projected financials up to FY20, publicly available information and clarifications provided by the Company.

The upgrade in long term rating factors in the growth in turnover and operating margins in FY18 besides the promoters' experience, with established track record in this sector, infusion of additional funds by promoters/group in the form of interest-free unsecured loans during FY18, 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, moderate scale of operations, 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”, ( see Annexure I) 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.

Experienced promoters with established track record: The Homeland Group benefits from the long term experience of the promoters in this sector. The group is promoted by Mr. Bishnu Kumar who looks after the imports and sales of edible oil 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 Capital Structure: Total long-term borrowings of the Company consist of interest-free unsecured loans of Rs. 10.00 Cr availed from its group companies. There were no other secured term loans reported during FY18. It has availed CC limit of Rs. 2.50 Cr but same get utilized below average as it avails majorly Non Fund Based limits for its operations.

#### **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 0.16% (P.Y. 0.25%) during 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. Promoters of the Company are resourceful as they infused additional funds in the form of interest-free USL during FY18. Cash & Cash equivalents (including fixed deposits) stood at Rs. 11.11 Cr (P.Y. Rs. 4.01 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 World Trade Pvt. Ltd.** 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 World Trade Pvt Ltd (ABT) was incorporated in Feb 2013 at Bathinda, Punjab and commenced its business operations in November 2014. It 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 market and selling in domestic market on high sea sale basis. The Company is a part of Homeland Group which comprises of diversified businesses including real estate development, trading of edible oils, manufacturing of agro commodities and fertilizers & pesticides etc. Mostly family controlled business.

### **Company Financial Performance**

The Company has reported a total operating income of Rs. 99.39 Cr in FY18 as against Rs. 60.55 Cr in FY17. It has reported a net profit of Rs. 0.16 Cr during FY18 as against Rs. 0.15 Cr during FY17. The total tangible net worth of the Company stood at Rs. 4.48 Cr in FY18.

Key financial indicators of AB World Trade Pvt. Ltd are summarized below.

<b>Key Parameters</b>	<b>Units</b>	<b>2018</b>	<b>2017</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Operating Revenue	Rs. Crores	99.39	60.55
EBITDA	Rs. Crores	1.48	0.90

PAT	Rs. Crores	0.16	0.15
Tangible Net worth	Rs. Crores	4.48	4.32
Adjusted Gearing Ratio	in Times	2.29	1.16
Current Ratio	in Times	1.48	1.49

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	29 Nov 17	28 Mar 17	07 Mar 2016
1	Fund Based Cash Credit	Long Term	2.50	BWR BB (BWR Double B) (Upgrade)	BWR BB - (BWR Double B Minus) (Reaffirmed)	BWR BB - (BWR Double B Minus) (Upgrade)	BWR B+ (BWR Single B Plus)
2	Non Fund Based ILC/FLC	Short Term	30.00	BWR A4 (BWR A Four) (Reaffirmed)	BWR A4 (BWR A Four) (Reaffirmed)	BWR A4 (BWR A Four) (Reaffirmed)	BWR A4 (BWR A Four)
<b>Total</b>			<b>32.50</b>	<b>₹ Thirty Two Crores and Fifty Lakhs Only</b>			

### 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



## Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>Ashwini Mital</i> <i>Director-Ratings</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<b>Relationship Contact</b>
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

### For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

### 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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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**

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.