

Rating Report

Brickwork Ratings assigns 'BWR BB -' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 30.00 Cr of AB Chemicals India Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Bank Loan Facilities of AB Chemicals India Pvt. Ltd ('ABC' or 'the Company'):

| Facility | Limits (₹ Cr) | Tenure | Rating |
|----------------------------------|--|-------------------|--|
| Fund Based ODBD | 2.00 | Long Term | BWR BB - (BWR Double B Minus) (Outlook: Stable) |
| Non Fund Based FLC/ILC | 28.00 | Short Term | BWR A4 (BWR A Four) |
| Total | INR 30.00 Crores (INR Thirty Crores Only) | | |

BWR has principally relied upon the audited financial statements up to FY14, projections upto FY16, publicly available information and information/clarifications provided by the company's management.

The rating assigned derive comfort from the extensive industry experience of the promoters and support from the group (Homeland Group, Bathinda) in view of commonality of management and significant business synergies. The ratings are, however, constrained by the relatively small scale of operations, low profitability inherent to the trading business, significant dependence on import of raw materials, exposure to risks arising from the volatility in the commodity prices and regulatory changes, presence in a highly competitive and fragmented industry and limited track record of operations of the company.

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.

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

Management Profile:

Homeland Group comprises of diversified businesses including real estate development, trading of edible oils, manufacturing of agro commodities and fertilizers & pesticides etc. Presently, the Directors of the Company are Mr. Kapil Romana and Mr. Aman Garg. Mr. Kapil Romana manages the procurement and marketing of products imported and Mr. Aman Garg looks after the other routine business affairs of the Company.

Homeland Group:

Homeland Group is a well-established group in North India having its corporate office at New Delhi. The group is promoted by Shree Bishnu Kumar and Shree Hemant Jindal who have a vast experience and proven record in the field of manufacturing, processing , trading, Real Estate and educational activities. The Turnover of the Group is more than Rs 1000 crore (including all the Companies) with a networth of Rs. 157.48 Cr in FY14.

Credit risk

Experienced Management

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. Hemant Jindal, Mr. Kewal Krishan Jindal and Ms Renu Jindal. Mr. Hemant Jindal looks after the overall business operations of the Company and holds more than three decades of experience in the industry.

Significant dependence on import of edible oil

Major procurement of crude palm oil or refined edible oil for trading required for ABC is imported from countries like Malaysia and Singapore. Almost 100% of the imports are dependent on these countries.

Low profit margin being inherent in the nature of the business

The operating margins of edible oil refiners are generally low owing to fragmented nature of industry (on account of low capital intensity) and low value addition involved in the business. This coupled with sharp increase in imports of refined palm oil has further increased the competition intensity.

Limited track record of the operations of the company

The Company has a limited track record of operations considering its operations started since Dec 2013.

Financial Performance:

During the first year of operations (3 M FY14), company has reported Total Operating Income of Rs. 40.38 Crs with a PAT of Rs. 0.12 Crs. Further, on a provisional basis, AB Chemicals has

reported revenue of Rs. 40.00 Cr for the half year ended Sept 2014 and expects to achieve a turnover of Rs. 74.00 Crs in FY15.

The Tangible net worth of the Company has increased to Rs. 9.07 Cr in FY14 due to additional capital infused by promoters & its associate concerns in FY14. Though gearing was nil in FY14, it is expected to increase up to 0.31 times in FY15.

Rating Outlook

The rating outlook is expected to be stable over the current year. Going forward the Company's ability to increase its scale of operations, improve its profitability amidst volatility in the commodity prices, and ensure continued funding support from promoters and the group companies shall be the key rating sensitivities.

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AB Chemicals India Pvt. Ltd
Annexure I – Profit & Loss Account

| Crores | FY14 |
|--------------------------------------|--------------|
| Result Type | Audited |
| Gross Sales | 40.38 |
| Excise Duty/Sales Tax | 0.00 |
| Net Sales | 40.38 |
| Other Operating Income | 0.66 |
| Total Operating Income | 41.03 |
| Operating Expenses | 40.68 |
| OPBDIT | 0.36 |
| Depreciation/Amortization/Impairment | 0.00 |
| OPBIT | 0.36 |
| Interest and Finance Charges | 0.18 |
| OPBT | 0.18 |
| Non-Operating Income(Expenses) | 0.00 |
| PBT | 0.18 |
| Provision for Taxes | 0.05 |
| PAT | 0.12 |

AB Chemicals India Pvt. Ltd
Annexure II – Balance Sheet

| Crores | FY13 | FY14 |
|---|-------------|--------------|
| Result Type | Audited | Audited |
| Liabilities | | |
| EQUITY AND RESERVES | 0.02 | 9.07 |
| Share capital | 0.02 | 0.91 |
| Reserves and Surplus | 0.00 | 8.16 |
| Non-current liabilities | 0.00 | 0.00 |
| Long-Term Borrowings | 0.00 | 0.00 |
| Current liabilities | 0.00 | 29.92 |
| Short-Term Borrowings | 0.00 | 0.00 |
| Trade Payables | 0.00 | 29.86 |
| Other Current Liabilities | 0.00 | 0.00 |
| Short-Term Provisions | 0.00 | 0.05 |
| Total Liabilities | 0.02 | 38.99 |
| ASSETS | | |
| Non-current assets | 0.02 | 0.01 |
| Net Fixed assets | 0.00 | 0.00 |
| Other Non-Current Assets | 0.00 | 0.00 |
| Miscellaneous Expenditure To the Extent Not Written off(Non-Current) | 0.02 | 0.01 |
| Current assets | 0.01 | 38.98 |
| Inventories | 0.00 | 0.00 |
| Trade Receivables > Six Months | 0.00 | 0.00 |
| Trade Receivables < Six Months | 0.00 | 16.25 |
| Cash and Cash Equivalents | 0.01 | 9.64 |
| Short-Term Loans and Advances | 0.00 | 12.87 |
| Other Current Assets | 0.00 | 0.22 |
| Total Assets | 0.02 | 38.99 |

AB Chemicals India Pvt. Ltd
Annexure III – Financial Ratios

| Particulars | FY14 |
|-------------------------|---------|
| Result Type | Audited |
| Total Debt | 0.00 |
| Tangible Net Worth | 9.07 |
| Capital Employed | 9.07 |
| Total Debt/TNW | 0.00 |
| Long Term Debt/TNW | 0.00 |
| TOL/TNW | 3.30 |
| ISCR | 1.97 |
| DSCR | 1.67 |
| Net Profit Margin | 0.30 |
| Operating Profit Margin | 0.87 |
| ROCE | 7.86 |
| Current Ratio | 1.30 |
| Days Receivables | 73 |
| Days Inventory | 0 |
| Days Payable | 135 |
| Conversion Cycle | -61 |