

## Rating Report

### Brickwork Ratings revises the rating to “BWR BB/A4” for the Bank Loan Facilities aggregating Rs. 30.00 Cr of AB Chemicals India Pvt. Ltd., Bathinda.

Brickwork Ratings (BWR) has revised the **Ratings<sup>1</sup>** for the Bank Loan Facilities of AB Chemicals India Pvt Ltd. (‘ABC’ or the ‘Company’), as follows:

Facility	Previous Amount (Rs. Cr)	Rating Amount (Rs Cr)	Tenure	Ratings History	Ratings after review <sup>1</sup>
Fund Based Cash Credit	2.00	2.00	Long Term	BWR BB – (BWR Double B Minus) Outlook: Stable March 2015	BWR BB (BWR Double B) Outlook: Stable (Upgraded)
Non Fund Based Letter of Credit	28.00	28.00	Short Term	BWR A4 (BWR A Four) March 2015	BWR A4 (BWR A Four) (Reaffirmed)
<b>Total</b>	<b>30.00</b>	<b>30.00</b>	<b>Rs. 30.00 Cr (INR Thirty Crores Only)</b>		

The ratings continue to draw comfort from the extensive experience of the promoters of the Homeland Group, absence of any term debt, consistent improvement in topline, group support besides satisfactory feedback from the bankers. The ratings are, however, constrained by the Company’s low profitability margins, inherent to its trading nature of business, moderate scale of operations and exposure to risks arising from the volatility in commodity prices & regulatory changes.

#### 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.

#### Management Profile:

Homeland Group comprises of diversified businesses including real estate development, trading of edible oils, manufacturing of agro commodities and fertilizers & pesticides etc. The promoters of the Group are Mr. Hemant Jindal and Mr. Bishnu Goyal.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

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. Kapil Romana and Mr. Aman Garg.

### **Recent Updates:**

#### Comments on Financial Risk Profile:

- Company's turnover increased significantly by 87.43% from Rs. 41.03 Cr in FY14 to Rs. 76.91 Crs, owing to new orders and better margins received from its existing customers. Further, it has achieved a turnover of Rs. 65.34 Crs with a PBT of Rs. 0.47 Cr till Dec 2015 and further, confident to achieve its projected levels in the current financial year.
- The Operating margins of the Company has improved from 0.87% in FY14 to 1.48% in FY15. However, net margins remain at the same level (below 1% level) due to trading nature of business.
- Tangible Networth of the Company increased from Rs. 9.06 Crs to Rs. 9.38 Crs due to accretion to its reserves & surplus during FY15.
- There are no changes in the facilities availed during FY15. The Company has availed FB limit of Rs. 2.00 Cr & NFB of Rs. 28.00 Crs.
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FLC Exposure Hedged: With regards to the FLC Exposure hedged, the Company's FX policy is co-related with the time of sale and not at the time of opening of Import Letter of Credit. It imports on a regular basis and thus make sure that selling price should always be higher compare to the amount of import bill on due date. Most of the time prices at which the imported goods are sold include the price of hedging premium prevailing at that time. Thus, the Company follows a hedging policy of post-sale and not at the time of opening LC's. It also book forward cover as and when required.

Linkage between Import Prices & Selling Prices: With regards to the pricing, the Company always remains in constant touch with international brokers dealing in crude edible oil and before placing orders to overseas Suppliers; the Company verifies the prevailing market rate in international market through different brokers and place orders at competitive rates. Since, the Company has ready buyers for crude edible oil, contracts for sell at prevailing rate in domestic market, deals are finalised on the terms that goods will be supplied on arrival at the port in India. The selling rate is decided after keeping some margin of profit on the rate at which the goods are purchased and also the credit period allowed.

No Incremental margin against FLC's opened: No Incremental margin have been given to the bankers. Before selling goods on a credit basis, the Company keeps in mind the LC due date and accordingly decide the credit selling period so that it always have sufficient funds in their account at the time of payment of LCs.

## Rating Outlook

ABC has reported consistent improvement in its top line growth over the past three years coupled with adequate capital structure and absence of any term debt borrowings. However, due to trading nature of business, profit margins continue to remain at less than 1% level.

The rating outlook is expected to remain stable over the current year. Going forward, the ability of the Company to significantly increase its scale of operations, improve its profitability & maintained its capital structure shall be the key rating sensitivities.

Analyst Contact	Relationship Contact
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
Phone	Media Contact
1-860-425-2742	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

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

<b>Particulars (in Crs)</b>	<b>FY14</b>	<b>FY15</b>
<b>Result Type</b>	Audited	Audited
Gross Sales	40.38	74.91
<b>Net Sales</b>	<b>40.38</b>	<b>74.91</b>
Other Operating Income	0.66	2.00
<b>Total Operating Income</b>	<b>41.03</b>	<b>76.91</b>
<b>Operating Expenses</b>	<b>40.68</b>	<b>75.77</b>
<b>OPBDIT</b>	<b>0.36</b>	<b>1.14</b>
Depreciation	0.00	0.00
<b>OPBIT</b>	<b>0.36</b>	<b>1.14</b>
Interest and Finance Charges	0.18	0.69
<b>OPBT</b>	<b>0.18</b>	<b>0.45</b>
Non-Operating Income(Expenses)	0.00	0.00
<b>PBT</b>	<b>0.18</b>	<b>0.45</b>
Provision for Taxes	0.05	0.14
<b>PAT</b>	<b>0.12</b>	<b>0.31</b>

**AB Chemicals India Pvt Ltd**  
**Annexure II – Balance Sheet**

<b>Particulars (in Crs)</b>	<b>FY14</b>	<b>FY15</b>
<b>Result Type</b>	Audited	Audited
<b>Liabilities</b>		
<b>EQUITY AND RESERVES</b>	<b>9.07</b>	<b>9.38</b>
Share capital	0.91	0.91
Reserves and Surplus	8.16	8.47
<b>Non-current liabilities</b>	<b>0.00</b>	<b>0.00</b>
Long-Term Borrowings	0.00	0.00
<b>Current liabilities</b>	<b>29.92</b>	<b>29.94</b>
Short-Term Borrowings	0.00	0.00
Trade Payables	29.86	29.79
Other Current Liabilities	0.00	0.00
Short-Term Provisions	0.05	0.14
<b>Total Liabilities</b>	<b>38.99</b>	<b>39.32</b>
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>0.01</b>	<b>0.02</b>
Net Fixed assets	0.00	0.01
<b>Current assets</b>	<b>38.98</b>	<b>39.30</b>
Inventories	0.00	0.00
Trade Receivables < Six Months	16.25	29.20
Cash and Cash Equivalents	9.64	9.73
Short-Term Loans and Advances	12.87	0.00
Other Current Assets	0.22	0.37
<b>Total Assets</b>	<b>38.99</b>	<b>39.32</b>

**AB Chemicals India Pvt Ltd**  
**Annexure III – Ratio Analysis**

<b>Particulars (in Crs)</b>	<b>FY14</b>	<b>FY15</b>
<b>Result Type</b>	Audited	Audited
Total Debt	0.00	0.00
Tangible Net Worth	9.06	9.38
Capital Employed	9.06	9.38
Total Debt/TNW	0.00	0.00
Long Term Debt/TNW	0.00	0.00
TOL/TNW	3.30	3.19
ISCR	1.97	1.65
Net Profit Margin	0.30	0.40
Operating Profit Margin	0.87	1.48
ROCE	7.86	12.34
Current Ratio	1.30	1.31
Days Receivables	73	111
Days Inventory	0	0
Days Payable	135	144
Conversion Cycle	-61	-33