

## Rating Report

### Brickwork Ratings reaffirms “BWR B+/A4” Ratings for the Bank Loan Facilities aggregating Rs. 24.00 Cr of AB Crops Pvt. Ltd, Bathinda.

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

Facility	Previous Amount (Rs. Cr)	Rating Amount (Rs Cr)	Tenure	Rating History	Ratings after review <sup>1</sup>
<b>Fund Based</b> Cash Credit	2.00	2.00	Long Term	<b>BWR B+</b> (BWR Single B Plus) Outlook: Stable <b>March 2015</b>	<b>BWR B+</b> (BWR Single B Plus) Outlook: Stable <b>(Reaffirmed)</b>
<b>Non Fund Based</b> Letter of Credit	22.00	22.00	Short Term	<b>BWR A4</b> (BWR A Four) <b>March 2015</b>	<b>BWR A4</b> (BWR A Four) <b>(Reaffirmed)</b>
<b>Total</b>	<b>24.00</b>	<b>24.00</b>	<b>Rs. 24.00 Cr (INR Twenty Four Crores Only)</b>		

BWR has essentially relied upon the audited financial results up to FY15, projected financials up to FY17, publicly available information and information/clarifications provided by the Company. The ratings continue to draw comfort from the extensive experience of the promoters in the industry and significant business synergy and group support. The ratings are, however, constrained by a small scale of operations, decline in its top line & profitability and exposure to risk arising from the volatility in commodity prices & regulatory changes.

#### Background:

AB Crops Pvt Ltd (AB Crops) was incorporated in 2011 in Bathinda, Punjab. It is engaged in trading of edible and non-edible oils. It imports the oil from South Asian countries such as Singapore, Malaysia etc. and also buys from domestic market. The Company sells to edible/non-edible refining companies in India.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://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. The promoters of the Group are Mr. Hemant Jindal and Mr. Bishnu Goyal. Most of the Companies under the Homeland Group are led directly by their family members.

### **Recent Updates**

#### Comments on Financial Risk Profile:

- Company's turnover decline because of low margins available on high seas-trade basis during FY15. However, the Company has already achieved a turnover of Rs. 44.34 Crs (as compare to Rs. 40.28 Crs achieved in previous year) with a PBT of Rs. 0.23 Cr till Dec 2015 and further, expects to cross of over Rs. 60.00 Crs in the current financial year.
- The Operating margins of the Company has improved from 1.33% in FY14 to 1.67% in FY15. However, net margins remain at the same level (below 1% level) due to trading nature of business.
- Tangible Networth of the Company decline from Rs. 4.24 Crs to Rs. 3.35 Crs on account of share application money of Rs. 1.00 Crs refunded 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. 22.00 Crs.

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 remain 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 margins against FLC are 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

The company has a small scale operations coupled with decline in its top line growth. Further, 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 increase its scale of operations by increasing top line, improve its profitability significantly and strengthen its capital structure shall be the key rating sensitivities.

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**AB Crops Pvt Ltd**  
**Annexure I – Profit & Loss Account**

<b>Particulars (in Crs)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
<b>Result Type</b>	Audited	Audited	Audited
Gross Sales	39.15	65.26	55.20
<b>Net Sales</b>	<b>39.15</b>	<b>65.26</b>	<b>55.20</b>
Other Operating Income	0.04	4.05	0.93
<b>Total Operating Income</b>	<b>39.19</b>	<b>69.31</b>	<b>56.12</b>
<b>Operating Expenses</b>	<b>38.92</b>	<b>68.38</b>	<b>55.18</b>
<b>OPBDIT</b>	<b>0.27</b>	<b>0.92</b>	<b>0.94</b>
Depreciation	0.00	0.00	0.01
<b>OPBIT</b>	<b>0.27</b>	<b>0.92</b>	<b>0.93</b>
Interest and Finance Charges	0.45	0.73	0.77
<b>OPBT</b>	<b>-0.18</b>	<b>0.19</b>	<b>0.16</b>
Non-Operating Income(Expenses)	0.24	0.00	0.00
<b>PBT</b>	<b>0.05</b>	<b>0.19</b>	<b>0.16</b>
Provision for Taxes	0.02	0.06	0.05
<b>PAT</b>	<b>0.03</b>	<b>0.13</b>	<b>0.11</b>

**AB Crops Pvt Ltd**  
**Annexure II – Balance Sheet**

<b>Particulars (in Rs. Crs)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
<b>Result Type</b>	Audited	Audited	Audited
<b>Liabilities</b>			
<b>EQUITY AND RESERVES</b>	<b>4.11</b>	<b>4.24</b>	<b>3.35</b>
Share capital	1.23	1.23	1.23
Reserves and Surplus	1.88	2.01	2.12
<b>Non-current liabilities</b>	<b>2.26</b>	<b>0.32</b>	<b>1.48</b>
Long-Term Borrowings	2.26	0.32	1.48
<b>Current liabilities</b>	<b>25.72</b>	<b>19.29</b>	<b>23.27</b>
Short-Term Borrowings	1.72	1.99	0.00
Trade Payables	23.96	17.23	23.21
Other Current Liabilities	0.00	0.01	0.00
Short-Term Provisions	0.04	0.06	0.05
<b>Total Liabilities</b>	<b>32.09</b>	<b>23.86</b>	<b>28.10</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>0.02</b>	<b>0.02</b>	<b>0.05</b>
Net Fixed assets	0.01	0.01	0.04
Other Non Current Assets	0.00	0.00	0.00
<b>Current assets</b>	<b>32.07</b>	<b>23.83</b>	<b>28.05</b>
Inventories	0.00	4.10	0.00
Trade Receivables > Six Months	0.00	8.21	20.10
Trade Receivables < Six Months	24.37	0.37	0.01
Cash and Cash Equivalents	5.29	5.90	5.25
Short-Term Loans and Advances	2.31	5.03	2.54
Other Current Assets	0.09	0.22	0.15
<b>Total Assets</b>	<b>32.09</b>	<b>23.86</b>	<b>28.10</b>

**AB Crops Pvt Ltd**  
**Annexure III – Ratio Analysis**

<b>Particulars</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
<b>Result Type</b>	Audited	Audited	Audited
Total Debt	3.98	2.32	1.48
Tangible Net Worth	4.10	4.23	3.35
Capital Employed	8.08	6.55	4.83
Total Debt/TNW	0.97	0.55	0.44
Long Term Debt/TNW	0.55	0.08	0.44
TOL/TNW	6.27	4.56	6.95
ISCR	0.59	1.27	1.22
DSCR	0.65	0.82	1.09
DSCR(Analyzed)	-1.32	0.82	1.09
Net Cash Accruals/Total Debt	0.01	0.06	0.08
Net Cash Accruals/Long Term Debt	0.02	0.43	0.08
Net Profit Margin	0.09	0.19	0.19
Operating Profit Margin	0.68	1.33	1.67
ROCE	5.25	12.59	16.32
Current Ratio	1.25	1.24	1.21
Days Receivables	114	92	95
Days Inventory	0	11	14
Days Payable	140	104	145
Conversion Cycle	-27	-1	-36