

Rating Report

Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 24.00 Cr of AB Crops Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the Bank Loan Facilities of AB Crops Pvt. Ltd ('AB Crops' or 'the Company'):

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based ODBD	2.00	Long Term	BWR B+ (Pronounced BWR B Plus) (Outlook: Stable)
Non Fund Based FLC	22.00	Short Term	BWR A4 (Pronounced BWR A Four)
Total	₹ 24.00 Crores (INR Twenty Four 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 and consistent improvement in revenue. The ratings are, however, constrained by the limited track record of operations, relatively moderate 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 and presence in a highly competitive and fragmented industry.

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.

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

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. Darshal Paul, brother of Mr. Bishnu Goyal and Mrs. Richa Garg, daughter in law of Mr. Bishnu Goyal. Both directors manage its day to day activities of the business under the guidance of Mr. Bishnu Goyal.

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

AB Crops incurred operating losses in FY14 on account of fluctuation in oil prices & FX fluctuation. The operating margins of edible oil refiners are generally also low owing to fragmented nature of industry (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.

Presence in a highly competitive and fragmented industry

The Indian edible oil industry is highly fragmented with extreme variation in the consumption pattern of Indian Consumers of edible oil. The Indian edible oil industry is highly fragmented, with the presence of a large number of participants in the organized and unorganized sectors. This has resulted in severe competition and inherently thin profitability margins. Further, the profitability of market participants has also been vulnerable to risks emanating from weak harvests, commodity price volatility and forex movements.

Financial Performance:

Total operating income increased from Rs. 39.19 Cr in FY13 to Rs. 67.85 Cr in FY14. Further, on a provisional basis, AB Crops has reported revenue of Rs. 40.28 Cr for 9MFY15.

AB Crops has incurred operating losses of Rs. 0.53 Cr in FY14 due to fluctuation in oil prices & foreign exchange fluctuation. It has reported PAT of Rs. 0.13 Cr in FY14 as against Rs. 0.03 Cr in FY13. PAT is positive on account of non-operating income relating to interest on investments received in FY14.

AB Crops has reported tangible networth of Rs. 4.23 Cr against a total debt of Rs. 2.00 Cr which consist of Cash Credit availed from Central Bank of India. Gearing ratio is comfortable at 0.55 times in FY14 as most of the bank limits are non-fund based in nature, for which the Company has deposited adequate margins with the banks.

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 Crops Pvt. Ltd
Annexure I – Profit & Loss Account

Crores	FY12	FY13	FY14
Result Type	Audited	Audited	Audited
Gross Sales	5.80	39.15	65.26
Net Sales	5.80	39.15	65.26
Other Operating Income	0.00	0.04	2.59
Total Operating Income	5.80	39.19	67.85
Operating Expenses	5.84	38.92	68.38
OPBDIT	-0.04	0.27	-0.53
Depreciation	0.00	0.00	0.00
OPBIT	-0.04	0.27	-0.54
Interest and Finance Charges	0.09	0.45	0.73
OPBT	-0.12	-0.18	-1.27
Non-Operating Income(Expenses)	0.19	0.24	1.46
PBT	0.07	0.05	0.19
Provision for Taxes	0.02	0.02	0.06
PAT	0.05	0.03	0.13

AB Crops Pvt. Ltd
Annexure II – Balance Sheet

Crores	FY12	FY13	FY14
Result Type	Audited	Audited	Audited
Liabilities			
EQUITY AND RESERVES	0.08	4.11	4.24
Share capital	0.03	1.23	1.23
Share Application money	0.00	1.00	1.00
Reserves and Surplus	0.05	1.88	2.01
Non-current liabilities	2.09	2.26	0.32
Long-Term Borrowings	2.09	2.26	0.32
Current liabilities	5.93	25.72	19.29
Short-Term Borrowings	0.00	1.72	1.99
Trade Payables	5.89	23.96	17.23
Other Current Liabilities	0.00	0.00	0.01
Short-Term Provisions	0.03	0.04	0.06
Total Liabilities	8.09	32.09	23.86
ASSETS			
Non-current assets	0.02	0.02	0.02
Net Fixed assets	0.00	0.01	0.01
Miscellaneous Expenditure To the Extent Not Written off (Non-Current)	0.02	0.01	0.01
Current assets	8.07	32.07	23.83
Inventories	0.00	0.00	4.10
Trade Receivables > Six Months	0.00	0.00	8.21
Trade Receivables < Six Months	0.03	24.37	0.37
Cash and Cash Equivalents	3.02	5.29	5.90
Short-Term Loans and Advances	5.00	2.31	5.03
Other Current Assets	0.02	0.09	0.22
Total Assets	8.09	32.09	23.86

AB Crops Pvt. Ltd
Annexure III – Financial Ratios

Crores	FY12	FY13	FY14
Result Type	Audited	Audited	Audited
Total Debt	2.09	3.98	2.32
Tangible Net Worth	0.06	4.10	4.23
Capital Employed	2.15	8.08	6.55
Total Debt/TNW	34.59	0.97	0.55
Long Term Debt/TNW	34.59	0.55	0.08
TOL/TNW	98.32	6.27	4.56
ISCR	-0.42	0.59	1.17
DSCR	1.56	0.65	0.82
Net Cash Accruals/Total Debt	0.03	0.01	0.06
Net Cash Accruals/Long Term Debt	0.03	0.02	0.43
Net Profit Margin	0.83	0.09	0.19
Operating Profit Margin	-0.63	0.68	-0.78
ROCE	-1.69	5.25	-7.33
Current Ratio	1.36	1.25	1.24
Days Receivables	2	114	92
Days Inventory	0	0	11
Days Payable	370	140	104
Conversion Cycle	-368	-27	-1