

Rating Report

Brickwork Ratings assigns 'BWR BB –' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 22.00 Cr of AB Infra Investments Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the Bank Loan Facilities of AB Infra Investments Pvt. Ltd ('ABI' 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	20.00	Short Term	BWR A4 (BWR A Four)
Total	₹ 22.00 Crores (INR Twenty Two Crores Only)		

BWR has principally relied upon the audited financial statements up to FY14, projections upto FY17, 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 limited track record of operations, 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 significant inter-group transactions.

Background:

AB Infra Investments Pvt Ltd (ABI) was incorporated in 2013 in Bathinda, Punjab and commenced its operations in February 2014. The Company is engaged in the trading of edible oils such as crude palm oil, soya bean oil, RBD (Refined, Bleached & Dried) Palmolein etc. 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 promoted by Mr. Kamal Kumar and his nephew, Mr. Gagandeep Garg. Both directors look after the day to day business activities of the Company.

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. Around 83% of the imports are dependent on these countries.

Limited track record of operations and relatively small scale of operations

The Company has a limited track record of operations considering its operations started since Feb 2014.

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.

Significant inter-group transactions

Around 76% of the revenues are contributed from its own associate concern – HM Overseas Pvt. Ltd (rated BWR BB -/A4 with Outlook Stable) in FY14. HM Overseas did not have any LC/FLC facilities hence, they purchased material from AB Infra in order to meet certain sale orders pending during FY14. However, management confirmed that there are no related party transactions in the current financial year.

Financial Performance:

During the first year of operations (2M FY14), the company has reported Total Operating Income of Rs. 12.15 Crs with a PAT of Rs. 0.10 Crs. Further, on a provisional basis, AB Infra Investments has reported revenue of Rs. 35.13 Cr for 9MFY15.

ABI has reported tangible networth of Rs. 2.11 Cr against a total debt of Rs. 4.16 Cr in FY14. Gearing of the Company stood at 1.97 times in FY14 and expected to increase up to 2.47 times in FY15 on account of additional unsecured loans availed from its associate concern – AB Chemicals India Pvt Ltd (rated BWR BB -/A4 with Outlook Stable)

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 Infra Investments Pvt. Ltd
Annexure I – Profit & Loss Account

Crores	FY14 (Feb-March 2014)
Result Type	Audited
Gross Sales	11.93
Excise Duty/Sales Tax	0.00
Net Sales	11.93
Other Operating Income	0.22
Total Operating Income	12.15
Operating Expenses	11.87
OPBDIT	0.28
Depreciation/Amortization/Impairment	0.00
OPBIT	0.28
Interest and Finance Charges	0.13
OPBT	0.15
Non-Operating Income(Expenses)	0.00
PBT	0.15
Provision for Taxes	0.05
PAT	0.10

AB Infra Investments Pvt. Ltd
Annexure II – Balance Sheet

Crores	FY13	FY14 (Feb-March 2014)
Result Type	Audited	Audited
Liabilities		
EQUITY AND RESERVES	0.02	2.12
Share capital	0.02	0.22
Reserves and Surplus	0.00	1.90
Non-current liabilities	0.00	2.29
Long-Term Borrowings	0.00	2.29
Current liabilities	0.00	11.06
Short-Term Borrowings	0.00	1.87
Trade Payables	0.00	9.14
Other Current Liabilities	0.00	0.00
Short-Term Provisions	0.00	0.05
Total Liabilities	0.02	15.48
ASSETS		
Non-current assets	0.01	0.01
Net Fixed assets	0.00	0.00
Miscellaneous Expenditure To the Extent Not Written off(Non-Current)	0.01	0.01
Current assets	0.01	15.47
Inventories	0.00	0.00
Trade Receivables > Six Months	0.00	0.00
Trade Receivables < Six Months	0.00	9.11
Cash and Cash Equivalent	0.01	2.43
Short-Term Loans and Advances	0.00	3.81
Other Current Assets	0.00	0.12
Total Assets	0.02	15.48

**AB Infra Investments Pvt. Ltd
Annexure III – Financial Ratios**

Particulars	FY14 (Feb-March 2014)
Result Type	Audited
Total Debt	4.16
Tangible Net Worth	2.11
Capital Employed	6.28
Total Debt/TNW	1.97
Long Term Debt/TNW	1.08
TOL/TNW	5.23
ISCR	2.16
DSCR	1.80
Net Cash Accruals/Total Debt	0.03
Net Cash Accruals/Long Term Debt	0.05
Net Profit Margin	0.85
Operating Profit Margin	2.28
ROCE	8.80
Current Ratio	1.40
Days Receivables	139
Days Inventory	0
Days Payable	141
Conversion Cycle	-1