

## Rating Report

### Brickwork Ratings reaffirms “BWR B+/A4” Ratings for the Bank Loan Facilities aggregating Rs. 14.50 Cr of AB World Trade Pvt. Ltd, Bathinda.

Brickwork Ratings (BWR) has reaffirmed the Ratings<sup>1</sup> for the Bank Loan Facilities of AB World Trade Pvt. Ltd (‘ABT’ 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><br>Cash Credit          | 4.50                     | 4.50                  | Long Term  | <b>BWR B+</b><br>(BWR Single B Plus)<br>Outlook: Stable<br><b>March 2015</b> | <b>BWR B+</b><br>(BWR Single B Plus)<br>Outlook: Stable<br><b>(Reaffirmed)</b> |
| <b>Non Fund Based</b><br>Letter of Credit | 10.00                    | 10.00                 | Short Term   | <b>BWR A4</b><br>(BWR A Four)<br><b>March 2015</b>                           | <b>BWR A4</b><br>(BWR A Four)<br><b>(Reaffirmed)</b>                           |
| <b>Total</b>                              | <b>14.50</b>             | <b>14.50</b>          | <b>Rs. 14.50 Cr (INR Fourteen Crores &amp; Fifty Lakhs 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, high gearing ratio coupled with low tangible networth, low profitability margins and exposure to risk arising from the volatility in commodity prices & regulatory changes.

#### Background:

AB World Trade Pvt Ltd (ABT) was incorporated in 2013 in Bathinda, Punjab and commenced its operations in November 2014. The Company is engaged in high seas trading of edible oils such as crude palm oil, soya bean oil, RBD (Refined, Bleached & Dried) etc.

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

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. The Company belongs to Homeland Group which comprises of diversified businesses including trading of edible oils, agro based business, pesticides etc.

### **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. Presently, the Directors of the Company are Mr. Darshan Paul, brother of Mr. Bishnu Goyal and Mrs. Sunita Goyal who possess more than 25 years of experience in the oil trading business.

### **Recent Updates:**

#### Comments on Financial Risk Profile:

- In the first year of operations, the Company has been able to achieve a turnover of Rs. 15.67 Crs in FY15, lower than its projected levels in FY15. However, it has already achieved a turnover of Rs. 38.64 Crs (as compare to Rs. 8.17 Crs achieved in previous year) with a PBT of Rs. 0.19 Crs till Dec 15 and further, it projects to cross over Rs. 49 Crs in FY16.
- Operating and Net margins of the company stood at 0.68% & 0.38%, respectively in FY15. Margins are below 1% level mainly due to trading nature of business.
- Tangible Networth of the Company stood at Rs. 2.08 Crs against the total borrowings of 9.46 Crs in FY15. Total borrowings include interest-free un secured loan of Rs. 5.00 Crs availed from its associate concern and remaining is the Cash Credit limit availed during FY15.
- There are no changes in the facilities availed during FY15. The Company has availed FB limit of Rs. 4.50 Cr & NFB of Rs. 10.00 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 includes 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.

### **Financial Performance:**

In the first year of operations, the Company has reported a turnover of Rs. 15.67 Crs with a PAT of Rs. 0.06 Crs. Tangible Networth of the company stood at Rs. 2.08 Crs in FY15. Most of the bank limits are non-fund based in nature, for which the company has deposited adequate margin money with the bank.

### **Rating Outlook**

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 increase its scale of operations by increasing top line, improve its profitability significantly and strengthen its capital structure shall be the key rating sensitivities.

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

**Disclaimer:** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

**AB World Trade Pvt Ltd**  
**Annexure I – Profit & Loss Account**

| Particulars (in Crs)           | FY15         |
|--------------------------------|--------------|
| <b>Result Type</b>             | Audited      |
| Gross Sales                    | 15.67        |
| Excise Duty/Sales Tax          | 0.00         |
| <b>Net Sales</b>               | <b>15.67</b> |
| Other Operating Income         | 0.00         |
| <b>Total Operating Income</b>  | <b>15.67</b> |
| <b>Operating Expenses</b>      | <b>15.56</b> |
| <b>OPBDIT</b>                  | <b>0.11</b>  |
| Depreciation                   | 0.00         |
| <b>OPBIT</b>                   | <b>0.11</b>  |
| Interest and Finance Charges   | 0.19         |
| <b>OPBT</b>                    | <b>-0.08</b> |
| Non-Operating Income(Expenses) | 0.17         |
| <b>PBT</b>                     | <b>0.09</b>  |
| Provision for Taxes            | 0.03         |
| <b>PAT</b>                     | <b>0.06</b>  |

**AB World Trade Pvt Ltd**  
**Annexure II – Balance Sheet**

| <b>Particulars (in Crs)</b>       | <b>FY15</b>  |
|-----------------------------------|--------------|
| <b>Result Type</b>                | Audited      |
| <b>Liabilities</b>                |              |
| <b>EQUITY AND RESERVES</b>        | <b>2.08</b>  |
| Share capital                     | 0.22         |
| Reserves and Surplus              | 1.86         |
| <b>Non-current liabilities</b>    | <b>5.00</b>  |
| Long-Term Borrowings              | 5.00         |
| <b>Current liabilities</b>        | <b>14.58</b> |
| Short-Term Borrowings             | 4.46         |
| Current Portion Of Long Term Debt | 0.00         |
| Trade Payables                    | 10.10        |
| Other Current Liabilities         | 0.00         |
| Short-Term Provisions             | 0.03         |
| <b>Total Liabilities</b>          | <b>21.66</b> |
| <b>ASSETS</b>                     |              |
| <b>Non-current assets</b>         | <b>0.01</b>  |
| Net Fixed assets                  | 0.00         |
| Other Non-Current Assets          | 0.01         |
| <b>Current assets</b>             | <b>21.65</b> |
| Inventories                       | 0.00         |
| Trade Receivables < Six Months    | 9.76         |
| Cash and Cash Equivalent          | 2.59         |
| Short-Term Loans and Advances     | 9.24         |
| Other Current Assets              | 0.06         |
| <b>Total Assets</b>               | <b>21.66</b> |

**AB World Trade Pvt Ltd**  
**Annexure III – Ratio Analysis**

| <b>Particulars (in Crs)</b>      | <b>FY15</b> |
|----------------------------------|-------------|
| <b>Result Type</b>               | Audited     |
| Total Debt                       | 9.46        |
| Total Debt ( Analyzed)           | 6.96        |
| Tangible Net Worth               | 2.08        |
| Tangible Net Worth (Analyzed)    | 4.58        |
| Capital Employed                 | 11.54       |
| Total Debt/TNW                   | 4.55        |
| Total Debt/TNW(Analyzed)         | 1.52        |
| Long Term Debt/TNW               | 2.40        |
| TOL/TNW                          | 7.01        |
| ISCR                             | 0.56        |
| Net Cash Accruals/Total Debt     | 0.01        |
| Net Cash Accruals/Long Term Debt | 0.01        |
| Net Profit Margin                | 0.38        |
| Operating Profit Margin          | 0.68        |
| ROCE                             | 1.83        |
| Current Ratio                    | 1.48        |
| Days Receivables                 | 114         |
| Days Inventory                   | 0           |
| Days Payable                     | 119         |
| Conversion Cycle                 | -5          |