Rating Report

Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 14.50 Cr of AB World Trade Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings**[1] for the Bank Loan Facilities of AB World Trade Pvt. Ltd ('ABT' or 'the Company'):

Facility	Limits (₹ Cr)	Tenure	Rating[1]
Fund Based Cash Credit	**4.50**	**Long Term**	**BWR B+** (BWR B Plus) (Outlook: Stable)
Non Fund Based FLC	**10.00**	**Short Term**	**BWR A4** (BWR A Four)
Total	***14.50***	***(INR Fourteen Crores & Fifty Lakhs 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, low tangible networth, 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 & fragmented industry.

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. 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 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.

Significant dependence on import of edible oil

Major procurement of crude palm oil or refined edible oil for trading by ABT is imported from countries like Malaysia and Singapore. Around 64.45% 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 November 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.

Financial Performance:

The Company has started its business operations in Nov 2014 and on a provisional basis, it has achieved a turnover of ₹ 15.67 Cr till 28th Feb 2015. Further, Company expects turnover of ₹ 20.50 Cr with a Profit after Tax of ₹ 0.12 Crs in FY15.

ABT has reported tangible networth of Rs. 2.12 Cr as per provisional 9M FY15. Further, gearing ratio is expected to increase up to 3.86 times on account of Cash Credit of Rs. 4.50 Cr availed from Punjab National Bank during the current financial year.

Rating Outlook

The rating outlook is expected to be stable over the current year. Going forward the Company's ability to stabilize its business operations, achieve top line growth as projected, improve its capital structure and ensure continued funding support from promoters and the group companies shall be the key rating sensitivities.

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