

RATING RATIONALE

28 April 2020

AL-Sameer Exports Pvt. Ltd.

Brickwork Ratings withdraws/ reaffirms the ratings for the Bank Loan Facilities of ₹ 65 Crs of AL-Sameer Exports Pvt. Ltd.

Particulars :

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Aug,2019)	Present
Fund Based	0.02	NIL	Long Term	BWR BBB (Stable)	Withdrawn
Fund Based	55.00	65.00	Short Term	BWR A3+	BWR A3+ Reaffirmed
Total	55.02	65.00	INR Sixty Five Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities in Annexure-I

RATING ACTION / OUTLOOK

BWR has reaffirmed Short Term rating at BWR A3+ and withdrawn Long Term rating for the bank loan facilities of AL-Sameer Exports Pvt. Ltd.

The rating continues to draw comfort from the promoter's experience in the meat processing business, growth in scale of operations and comfortable Debt protection Metrics, cash conversion cycle, leverage and current ratio. The rating is, however, constrained by declined profit margins, inherent risk associated with the meat processing industry, currency fluctuation risk, country concentration risk and competition from the peers.

The outlook is Stable as the company has been able to improve the scale of operations for the last 3 years.

KEY RATING DRIVERS

BWR principally relied upon audited financials upto FY19, projections upto FY21, publicly available information and information/clarification provided by the management.

Credit Strengths :

- **Experienced Promoters :** Company is being managed and promoted by Mohd Shameem Qureshi and wife Mrs Naaz Shameem having experience of more than a decade in the same line of business activity.
- **Turnover :** Improved Turnover : Total operating income(TOI) has improved from Rs 586.47 Cr in FY18 to Rs 924.30 Cr in FY19. As advised by the company, they have achieved turnover of Rs 718 Cr Cr till in 11MFY20. However, there may be some impact on the top line in FY20 due the effect of Covid-19.
- **Leverage Position and Current Ratio:** Gearing(Total debt/TNW) of the company is comfortable at 0.56X in FY19 due to good net worth as compared to the debt obligations. Company's ability to meet its current liabilities from current assets, indicated by comfortable current ratio of 1.40X as per FY19.
- **Debt protection Metrics:** ASEPL has the ability to meet its interest obligation from its operating profit, indicated by its comfortable ISCR of 9.22X in FY19.
- **Cash conversion cycle :** Company has comfortable operating cycle of 11 days only in FY19 due to efficient management of the inventory period at 6 days only in FY19.

Credit Concerns :

- **Declined Profit margins :** Company profit margins have declined in the past 2 years years. Net profit margins of the company was 2.04% in FY19 against 2.85% in FY18 and operating margin is 2.98% in FY19 against 4.20% in FY18.
- **Inherent Risk associated with the meat industry:** The company is subject to changing regulations for the meat processing industry, can be affected by socio-political concerns due to sensitive nature of business, besides competition from small and big players in the industry could impact the future margins.
- **Competition and Hedging :** Intense competition in the market from other major players in the industry and Global competition in the buffalo meat market and pricing pressure may affect the margins.. Currently the company has not taken any forward contracts due to the debtor collector period of less than 4 weeks as such the company is exposed to forex risk.

- **Country Concentration Risk :** There is country concentration risk as exports to one country is more than 80% out of total exports in FY19.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: The rating outlook may be revised to positive and rating may be upgraded in case there is improvement in profit margins, topline growth and sustains the financials.

Negative: The rating may be downgraded if the company achieves lower financial ratios than projected financials.

LIQUIDITY POSITION (Adequate)

Company had good cash accruals (PAT+DEP) of Rs 22.41 in FY19, improved from Rs 20.75 Cr in FY18. Cash & Cash equivalent was Rs 18.74 Cr in FY19 and as advised, the company had cash & bank balance of Rs 16.56 Cr at the end of 31st march 2020. The company has comfortable current ratio and currently there is no fixed term liability i.e. term loans is NIL.

COMPANY PROFILE

AL-Sameer Exports Pvt. Ltd. (ASEPL), was incorporated in 2008, with its registered office at Kaiser Gunj, Meerut. It is being managed and promoted by Mohd Shameem Qureshi and wife Mrs Naaz Shameem. The company is engaged in the processing and export of frozen halal boneless buffalo meat and poultry products. The company owns an integrated abattoir cum meat processing plant at Araria, Bihar which is approved by the Agricultural and Processed Food Export Development Authority (APEEDA) and Bihar State Pollution Control Board.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	Rs.in Crs	586.47	924.30
OPBDIT	Rs.in Crs	24.65	27.54
PAT	Rs.in Crs	16.71	18.89
Tangible Net Worth	Rs.in Crs	61.10	79.98
Total Debt/TNW	Times	0.14	0.56
Current Ratio	Times	1.69	1.40

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY: NA

RATING HISTORY FOR THE LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)

Facilities Availed	Current Rating (April 2020)			Rating History for the past 3 years (Amount in (Rs. Crores))								
	Tenure	Amount (In Crs)	Rating	2019	2018	2017						
Bank Loan Fund Based (FB)	Long Term	NIL	Withdrawn	<p>26 Aug 2019</p> <table border="1"> <tr> <td>FB</td> <td>0.02</td> <td>BWR BBB (Stable)</td> </tr> </table> <p>23 Jan 2019</p> <table border="1"> <tr> <td>FB</td> <td>0.03</td> <td>BWR BBB (Stable)</td> </tr> </table>	FB	0.02	BWR BBB (Stable)	FB	0.03	BWR BBB (Stable)	-	-
FB	0.02	BWR BBB (Stable)										
FB	0.03	BWR BBB (Stable)										
Bank Loan Fund Based (FB)	Short Term	65	BWRA3+ Reaffirmation	<p>26 Aug 2019</p> <table border="1"> <tr> <td>FB</td> <td>55</td> <td>BWR A3+</td> </tr> </table> <p>23 Jan 2019</p> <table border="1"> <tr> <td>FB</td> <td>39</td> <td>BWR A3+</td> </tr> </table>	FB	55	BWR A3+	FB	39	BWR A3+	-	-
FB	55	BWR A3+										
FB	39	BWR A3+										
Total		65		INR Sixty Five Crores Only								

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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AL-Sameer Exports Pvt. Ltd.

ANNEXURE I

Details of Bank Facilities rated by BWR

S. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	PNB Bank	PC FOBP/FOUBP/FABC/FOBNLC	- -	26.00 4.00	26.00 4.00
2.	YES Bank	PC (CC)	-	25.00 (10.00)	25.00 (10.00)
		PC(Proposed)	-	10.00	10.00
TOTAL					65.00

Total INR Sixty Five Crores Only



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