



Rating Rationale

Al-Dua Food Processing Pvt Ltd

23rd March 2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 178.80 Crores of Al-Dua Food Processing Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March, 2018)	Present
Fund based	227.06	175.80	Long Term	BWR A-(SO) (Pronounced as BWR Single A Minus)(Structured Obligation) Outlook: Negative	BWR BBB+ (SO) (Pronounced as BWR Triple B Plus)(Structured Obligation) Outlook.Stable (Downgrade)
Non Fund Based	3.00	3.00	Short Term	BWR A2+ (SO)(Pronounced as BWR A Two Plus)(Structured Obligation)	BWR A3+ (SO) (Pronounced as BWR A Three Plus) (Structured Obligation) (Downgrade)
Total	230.06	178.80	Rs. One Hundred Seventy Eight crores and Eighty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:



BWR has essentially relied upon the Company's audited financial results upto FY18, projected financials for FY 19 and FY 20, publicly available information and clarifications provided by the Company.

The suffix "Structured Obligation" (SO) in the ratings take into account the credit enhancement available in the form of irrevocable corporate guarantee furnished by Al-Hamd Agro Food Products Pvt. Ltd. (holding company of Al-Dua Food Processing Pvt Ltd) in favor of the lenders of the bank loan facilities availed by AFPL. The rated debt instruments do not involve structured payment mechanism.

During FY19, Al-Hamd Agro Food Products Pvt. Ltd.(rated BWR BBB+/ A3+) acquired AFPL from its earlier promoters MK Overseas Pvt. Ltd. (rated BWR A-/A2+) in a share purchase deal and now AFPL is held by Mohd. Zaheer.(Promoter), holding 0.09% of the total shares, and Al-Hamd which holds 99.91% shares in the company. Al-Hamd (holding company) stands as corporate guarantor for the bank loans of AFPL. Accordingly, ratings stand downgraded to reflect the group support.

AFPL is engaged into the business of processing meat and its export. The Company exports to various countries which have accorded approval for the plant. The remaining capacity is being utilized for manufacturing/supplying to Al-Hamd Food Products Pvt Ltd.(promoters) who are trying to get the plant approved by some other countries (such as Philippines and Saudi Arabia) so as to expand the export market. AFPL also proposes to expand into the chilled/fresh meat export for which company is setting up a slaughtering unit by August 2019. Against current installed capacity of 2000 animals per day, average utilization is 80%.

The rating draws strength from the experience of the promoters, established market presence, strategic location of the manufacturing and processing plant and strong support from Al-Hamd Agro Food Products Pvt Ltd. in view of the commonality of management and business profile.

The ratings, however, are constrained by working capital intensive nature of operations, deteriorating financial risk profile during FY18, highly competitive and fragmented industry, government regulations, and exposure to foreign exchange risk and trade policies of importing countries.

Description of Key Rating Drivers

Credit Strengths

Comfort from the Company's established market presence and experienced promoters.

Units are located strategically, which would facilitate the availability of livestock in its nearby vicinity.

AFPL has a fully integrated meat processing plant at Aligarh (UP) having total installed capacity of slaughtering 2000 animals per day, which provides competitive edge for its export market.

Corporate guarantee provided by Al-Hamd Agro Food Products Pvt Ltd. (Holding Company) to



ensure servicing of debt obligations of AFPL.

Proposed expansion to (i) newer markets (Philippines and Saudi Arabia), (ii) newer products such as chilled/fresh meat.

Weaknesses

Elongated cash conversion cycle owing to high inventory levels reported during FY18.

Deteriorated revenues during FY18, operating losses and deteriorated gearing profile of the company.

Highly competitive and fragmented industry: The Company operates in a highly competitive industry with a large number of established players. This limits the ability of the Company to adopt pricing flexibility strategies besides exerting pressure on profitability margins.

Exposure to foreign exchange risks and trade policies of importing countries.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Al-Dua Food Processing Pvt. Ltd.**'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Al-Dua Food Processing P Ltd (AFPL) is now a part of Al-Hamd Group, and is engaged in the processing and exports of frozen buffalo boneless meat and meat products to countries such in South Asia, the CIS (Commonwealth of Independent States), Far East and traditional markets in the Middle East. The Al-Hamd is promoted by Mohd. Zaheer, who has over four decades of experience in the cattle sale & purchase and meat processing industry. AFPL has set up a unit in 2012 with a total installed capacity of 2,01,000 MTPA (Integrated Meat plant) at Aligarh, Uttar Pradesh.

About the Holding Company

Al-Hamd Agro Food Products Pvt Ltd (rated BWR BBB+/ A3+) commenced its operations in 2005. The registered and corporate office of the company is in Aligarh, U.P. The company has an integrated



Abattoir and meat processing plant in Aligarh, U.P., with the final products being exported to the Middle East and South East Asian countries. The company is ISO 9001:2008, HACCP and FSSAI certified.

Company Financial Performance

Key Parameters	Units	2017 (A)	2018 (A)
Operating Revenue	Rs. crs	1028.12	593.46
EBITDA	Rs. crs	36.27	(29.29)
PAT	Rs. crs	15.20	(46.53)
Tangible Net worth	Rs. crs	155.36	108.82
Total Debt/Tangible Net worth	Times	1.57	2.36
Current Ratio	Times	1.31	1.15

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	28 Mar 2018	16 Dec 2016	2015
1.	Fund Based	Long Term	175.80	BWR BBB+(SO)(Pronounced as BWR Triple B Plus)(Structured Obligation) Outlook: Stable	BWR A-(SO)(Pronounced as BWR Single A Minus)(Structured Obligation)	BWR A-(SO)(Pronounced as BWR Single A Minus)(Structured Obligation)	N.A
2.	Non Fund Based	Short Term	3.00	BWR A3+(SO)(Pronounced as BWR A Three Plus)(Structured Obligation)	BWR A2+(SO)(Pronounced as BWR A Two Plus)(Structured Obligation)	BWR A2+(SO)(Pronounced as BWR A Two Plus)(Structured Obligation)	N.A



	Total	178.80	₹ One Hundred Seventy Eight crores and Eighty Lakhs Only
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Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



DISCLAIMER

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