Rating Rationale

Brickwork Ratings assigns "BWR A–(SO)/A2+ (SO)" for the bank loan facilities aggregating ₹ 231.76 Cr of Al-Dua Food Processing Pvt Ltd.

Brickwork Ratings (BWR) has assigned the **Ratings**[1] for the bank loan facilities of Al-Dua Food Processing Pvt. Ltd. (AFPL) as follows:

Facility*	Amount (₹ Cr)	Ratings[1]
Long Term Facilities	**228.76**	**BWR A – (SO) [Pronounced BWR Single A Minus (Structured Obligation)] Outlook: Stable**
Short Term Facilities	**3.00**	**BWR A2 + (SO) [Pronounced BWR A Two Plus (Structured Obligation)]**
Total	**231.76**	**INR Two Hundred Thirty One Crores and Seventy Six Lakhs Only**

*** Facility wise details in the Annexure**

BWR has principally relied upon the audited financial results up to FY16, projected financials up to FY18, publicly available information and information/clarifications provided by the Company.

The ratings reflect the extensive industry experience of the promoters, established market position in the buffalo meat export market, revenue visibility in terms of healthy order book position in FY17, strategic location of the unit with respect to tax advantage, AFPL's unit has received – Three Star Export Housing Certificate from Govt. of India (Ministry of Commerce & Industry) and strong support from its parent company – MK Overseas Pvt Ltd (rated BWR A-A2+ with Stable Outlook) in view of commonality of management and business risk profile. The ratings, however, are constrained by vulnerability in top line growth, working capital intensive nature of operations backed by high inventory levels in FY16, exposed to change in regulatory environment and event risk such as disease out-breaks etc. and vulnerability of profitability to fluctuations in foreign exchange rate.

The ratings take into account the credit enhancement in the form of unconditional and irrevocable corporate guarantee by parent company-MK Overseas Pvt. Ltd. (flagship company of MK Group) in favour of HDFC Bank and Bank of Baroda for the bank loan facilities availed by AFPL.

Key Rating Drivers: Efficient management of working capital, increase its top line growth and profitability amidst change in government regulations and forex fluctuation risks and achieve optimum capacity utilization in the current financial year.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

Background:

Al-Dua Food Processing P Ltd (AFPL) is a part of MK 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. It is promoted by Mohammed Kamil Qureshi, who has over four decades of experience in the cattle sale & purchase and meat processing industry. AFPL has set up an integrated unit with a total installed capacity of slaughtering 2,000 buffaloes per day at Aligarh, Uttar Pradesh. It sells products under the brand name – “AL-AHMED” and “5 STAR”

AFPL reported Total Operating Income of Rs. 1024.84 Cr for FY16, as compared to Rs. 1269.83 Cr for FY15. PAT of the company stood at Rs. 21.04 Cr in FY16. The MK Group (both AFPL & MK Overseas Pvt.Ltd.) has reported total operating income of Rs. 2219.03 Cr with a total TNW of Rs. 263.09 Cr in FY16.

Annexure: Details of Bank Facilities Rated

Facility	Rating Assigned		
	Tenor	**Amount (Rs. Crs)**	**Rating**
PCFC/PC/FBP/FBN (Fund Based)	Long Term	225.00	BWR A – (SO) (Pronounced BWR Single A Minus) (Structured Obligation) Outlook: Stable
Term Loan (Fund Based)		3.76	
BG (Non-Fund Based)	Short Term	3.00	BWR A2 + (Structured Obligation) (Pronounced BWR A Two Plus)
Total		**231.76**	**INR Two Hundred Thirty One Crores and Seventy Six Lakhs Only**

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