Rating Rationale

Al-Hamd Agro Food Products Pvt Ltd

2 Aug 2018

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Al-Hamd Agro Food Products Pvt Ltd

Particulars

Facility	Tenure	Rated Amount	Rating Assigned^
Cash Credit	Long Term	2.00	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable
EPC/ PCFC	Short Term	77.00	BWR A3+ (Pronounced as BWR Single A Three Plus)
Total		**79.00**	**Rupees Seventy Nine Crores only**

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon audited financial results of the company up to FY17, provisional financials of FY18, projected financials for FY19, publicly available information and information/clarifications provided by the company's management.

The rating draws comfort from the experience of the directors in the industry, improvement in profitability margins, strong net worth base and comfortable gearing position & debt protection metrics and nil long term debt funded capex.

The rating is, however, constrained on account of industry being exposed to regulatory risks, both domestic as well as international, the government notifications regarding prohibition of purchase of buffaloes from animal markets for slaughtering, ,intense competition in market and exposure to foreign exchange risk.

Credit Strengths:

- **Extensive experience of Directors:** The promoter-director of the company, Mr. Mohd. Zaheer, has been in the industry from more than 4 decades. He is further being supported by other directors (family members) and different department heads.
- **Improvement in profitability margins:** Owing to the commodity nature of the industry, the margins in meat industry are usually on a lower side. However, the company is recording a growth in their NPM and OPM consistently. In FY17 the same has been at 1.56% as compared to 1.48% in FY16. On provisional basis, the NPM has further improved to 2.02%. in FY18.

Low Gearing: Due to strong net worth and low debt level, Total Debt/ Tangible Net worth, is low at 0.70 x as on 31.03.2017.

- **Comfortable debt protection metrics**: The debt protection metrics, i.e. ISCR & DSCR, have been at a comfortable level of 7.24 x and 5.19 x respectively in FY17.

Credit Weaknesses:

- **Inconsistent revenue:** The revenue of the company has been inconsistent in the previous 3 FYs. The Total Operating Income has been at Rs. 1970.02 Cr in FY17 as compared to Rs. 2007.92 Cr in FY16 and Rs. 1717.55 Cr in FY15. On provisional basis, the TOI for FY18 has been at Rs. 1850.83 Cr. The decline in revenue in FY18 is primarily due to disruption caused by regulatory changes.
- **Prohibition on purchase of raw material:** The government notification prohibiting the purchase of buffaloes from animal markets for slaughtering severely affects the supply of livestock for the Indian meat export industry, as the majority of livestock is purchased from these markets.
- **Inherent risk:** The meat industry is exposed to risk arising due to changes in government regulation, both at domestic and international level.
- **Forex Risk:** The company is primarily engaged in exporting its product to the foreign countries, as 90% of the total revenue is through export sales. It exposes the company to risk arising due to changes in foreign currency. In order to mitigate the forex risk, the company avails Forward Contract facility.

Rating Outlook: Stable

BWR believes the Al-Hamd Agro Food Products 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-Hamd Agro Food Products Pvt Ltd was registered as a Pvt Ltd company in 2003 and commenced its operations in 2005. The Registered and Corporate Office of the company is in Aligarh, U.P. The company was promoted by Mr. Mohd Zaheer who is first generation entrepreneur. The second generation has also joined the business. The company has an integrated Abattoir and Meat processing plant in Aligarh, U.P. Majorly, the final products of the company are exported to Mid East and South East Asian countries.

The company is ISO 9001:2008, HACCP and FSSAI certified. The Company procures the raw material from the open market and through agents. The company also has an in-house laboratory with latest equipments and qualified veterinary doctors who conduct ante-mortem and post-mortem examination. Both the initiatives, finally help in providing the hygienic product. The total capacity of the plant is 62,000 MTPA. The plant of the company is running in 2 shifts and is utilizing 100% of its capacity. The plant is spanned over an area of 40 acres and is owned by the company itself.

for Informed Investment Decisions

Company Financial Performance

	Unit	FY17 (Aud.)	FY18 (Prov.)
Net Sales	Rs. in Cr	1970.92	1850.83
EBIDTA	Rs. in Cr	59.91	53.97
PAT	Rs. in Cr	30.83	37.33
Tangible Networth	Rs. in Cr	112.17	148.78
TOL/ TNW (Analyzed)	Times	1.65	1.57
Current Ratio	Times	1.41	1.47

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (Year 2018)			Rating History		
		Type	**Amount (Rs Crs)**	**Rating**	**2017**	**2016**	**2015**
1	Cash Credit	Long Term	2.00	BWR BBB+ (Outlook: Stable)	NA	NA	NA
2	EPC/ PCFC	Short Term	77.00	BWR A3+			
	Total		**79.00**	**Rupees Seventy Nine Crores only**			

Status of non-cooperation with previous CRA (if applicable) – NA

Any other information – NIL

Hyperlink/Reference to applicable Criteria

- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **General Criteria**
- **Short Term Debt**

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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

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