

Rating Rationale

Al-Haq Foods Private Limited

25 July 2018

Brickwork Ratings assigns ratings for the bank loan facilities of Al-Haq Foods Private Limited (AHFPL or 'the Company').

Particulars

Issue	Amount Rated (In Rs. Crs)	Tenure	Rating Assigned
Fund Based			
#Proposed Working Capital Limit	10.00	Long Term	BWR BB- <i>(Pronounced as Double B minus)</i> Outlook: Stable
#Proposed Term Loan	15.00		
Total	25.00	INR Twenty Five Crores Only	

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
#BWR is rating a proposed loan, and hence it is expected that the lender would evaluate the proposal in the normal course of business and stipulate such terms and conditions as are normal to such types of loans.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

While assigning the rating to the Company, BWR has factored in the experience of the promoters and their ability to infuse funds in the business as per requirements, locational advantages of the unit, ready market available to the company for their offerings, limited competition due to government norms, orders in hand of the company, security in the payment mechanism, adequate hedging procedure adopted by the company, and expectations of healthy profitability as prevalent in the industry. However, the ratings strengths are partially offset by uncertainty over the achievement of the projected sales, since it is a green-field venture. The company is also exposed to forex risk, uncertainty over any epidemic in the livestock, and competition from the large players in the industry.

Ability of the Company to commence production as per schedule, achieve the projected figures upto an adequate level, maintain moderate financial risk profile initially, and maintaining adequate hedging mechanism would be the key rating drivers.

26 July 2018

Key Rating Strengths

- Significantly experienced promoters having the capacity to infuse funds in the business as per requirement. Out of the total promoters' contribution of Rs. 21.40 Crs in the project, Rs. 16.18 Crs has already been infused as per the CA-certificate.
- Locational advantages to the company - processing unit is located adjacent to the Kanpur-Lucknow Highway and companies operating in the similar industry located in the same vicinity, ready-market available to the company for the main and by-products, availability of skilled labour and high-end logistics for the safety of the product offerings.
- Limited competition in the industry since the legal abattoirs are capped for the production levels. Due to increasing demand for the meat products across the world, the Indian Meat Processing companies cum Abattoirs observed high demand. The government is also supporting the industry with many benefits.
- The company has been able to obtain advance orders from importers of ~ Rs. 135.00 Crs as on date.
- Healthy profit margins prevail in the sector.
- Security in the payment network since the goods are insured and the payments are covered under ECGC cover.
- Proper hedging of the exchange rate fluctuations will be maintained in order to mitigate any adverse impact of the movement of forex rates.

Key Rating Weaknesses

- Sustainability of the sales level will be a key risk.
- Forex risk associated with the payment since majority of the revenue is going to be derived from foreign customers.
- Any contagious disease or any kind of epidemic in the livestock population will impact the supply of raw material to a large extent.
- Since the company is the new entrant in the market, competing with other large, established players will be a key concern.

Analytical Approach: BWR has taken the financials of the Company on a standalone basis into consideration while determining the credit rating of the entity.

Rating Outlook: Stable

BWR believes the **Al-Haq Foods Private Limited'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 Entity

Al-Haq Foods Private Limited (A-HFPL) is a company incorporated on 2nd June, 2014, to set up a Fully Integrated Food processing Unit/Abattoir Cum Meat Processing Plant of Buffalo, with 15000 TPA production capacity as per Uttar Pradesh Food processing Industry Policy. The said facility is being established at UPSIDC Industrial Area, Unnao (U.P.). Mr Mohd. Anwar Qureshi, Mr Mohd. Azad Qureshi, Mr Mohd. Tahir, and Mr Mohd. Anwar are the key promoters of the company. The company has obtained all the statutory approvals/ licenses to set up the plant.

Company Financial Performance

The company has entered into a green-field venture. Hence, the management of the company has provided with the projections of the financials.

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

Sl. No.	Instrument/Facility	Current Rating (FY19)			Rating History		
		Type	Amount (Rs Crs)	Rating	FY18	FY17	FY16
1	#Proposed Working Capital Limit	Long Term	10.00	BWR BB- Outlook: Stable	NA	NA	NA
2	#Proposed Term Loan	Long Term	15.00		NA	NA	NA
	TOTAL		25.00	INR Twenty five Crores Only			

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

Any other information: NA

Hyperlink/Reference to Applicable Criteria

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

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Satvinder Gakhar Dy. General Manager (Ratings)	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.