

## RATING RATIONALE

11 August 2020

### Al Jalil Exports

### Brickwork Ratings Upgraded the ratings for the enhanced Bank Loan Facilities of ₹ 19.96 Crores of Al Jalil Exports

#### Particulars:

Facilities**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (March 2020)	Present
<b>Fund Based:</b>					
Cash Credit	1.10	12.00	Long Term	BWR C Issuer Non Cooperation	BWR B Stable Migrated from BWR C Issuer Non Cooperation (Upgraded)
Term Loan#	6.75	5.96			
Proposed Term loan#	-	2.00			
<b>Total</b>	<b>7.85</b>	<b>19.96</b>	<b>INR Nineteen Crores and Ninety Six Lakhs Only</b>		

#Term loan amount outstanding as on 5.8.2020

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure - I

#### RATING ACTION / OUTLOOK

Brickwork Ratings upgrades the ratings from BWR C Issuer Non Cooperation based on best available information to BWR B stable for the enhanced bank loan facilities of Rs. 19.96 Crs of M/s. Al Jalil Exports.

BWR has essentially relied upon the firm's audited financial results up till FY19, Provisional Statement for 31.3.2020, Projections for FY21 & FY22 and publicly available information and clarifications provided by the management.

#### KEY RATING DRIVERS

The rating has inter-alia, factored vast knowledge and experience of the partners in the food processing industry since 2016, improved operating revenue, reputed list of clientele, comfortable gearing level and ability to meet competition in the relevant industry. However, the ratings are constrained by the accumulated business loss, decline in debt service coverage, reduced net worth of the firm, vulnerability to disease outbreak and intense working capital requirement.



- **Credit Strengths:**

**Management having vast experience in the relevant industry:** Al Jalil Exports is presently constituted by four partners namely, Smt. Sowmya Ramesh, Smt. D. T. Sudha, Mr. H R Sukriti and Mr. T Nousheer. Smt. Sowmya Ramesh is a doctor by profession. Smt. Sudha and Mr. Nousheer both the partners have experience with animal husbandry activities.

**Association with reputed businesses and hotel units:** ALE's customers are mainly Hotels, Super markets, Meat processing companies in and around Bangalore and few in the region of Cochin & Wayanad; to name a few Lucious Pvt Ltd, Metro, Spar Market etc.

**Improved Operating revenue of the firm:** Operating revenue for FY19 was at Rs. 3.32 crs. The firm has started commercial operations during October 2017 and was carrying out trial runs until April 2018. It has completed one full business cycle. As per Provisional statement for FY20, Operating revenue was at Rs. 13.53 crs. Sales revenue for the period Apr till July 2020 was estimated at Rs 3.35 Crs.

**Comfortable gearing level for FY19:** Gearing level of the firm has been comfortable since 1st year of operations viz., 2017. Debt Equity ratio was at 1.30 times for FY19 as against 1.05 times and 1.93 times.

- **Credit Risks:**

**Decline in profitability level of the firm:** The firm has been reporting business loss since the last three financial years. PAT for FY19 was at Rs. (3.86) Crs as against Rs. (0.11) Crs in FY18.

**Reduction of debt service coverage ratio of the firm:** Debt protection matrix has been negative for last 3 audited financial years. ISCR for FY19 was at (2.29) times as against (31.78) times in FY18 while DSCR was at (0.86) times for FY19 as against (0.33) times in FY18.

**Declining net worth of the firm:** Net worth of the firm for FY19 was at Rs. 7.52 crs as against Rs. 7.54 crs in FY18. Further, as per Provisional statement for FY20, it stood at Rs. 4.26 crs.

**Inherent risk relating to livestock industry and high working capital requirement nature of business:** High working capital requirement with inherent risk relating to disease outbreak in the livestock / husbandry industry.

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

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 SENSITIVITIES**

Going forward the ability of the firm to improve its scale of operation, to achieve its projected revenue and profitability margin, to increase its net worth with infusion of capital, to maintain its financial risk profile and to manage its working capital efficiently will be the key rating sensitivities.

#### **Positive:**

- Management having vast knowledge and experience in the relevant business
- Ability to maintain financial risk profile

#### **Negative:**

- Volatile operating profitability margin of the firm
- Inherent risk relating to the industry and high working capital requirement

### **LIQUIDITY POSITION**

Liquidity level has come down for FY19 with current ratio at 0.86 times as against 1.86 times in FY18. The firm has completed one year of its business cycle. Receivable days for FY19 seemed moderate at 51 days although inventory days was slightly stretched at 116 day; while working capital cycle was modest at 77 days for the year

### **ABOUT THE FIRM**

M/s. Al Jalil Exports(AJE) was established as a partnership on 15th July 2016 located at Doddarasinakere village, Maddur Taluk, Mandya, Karnataka. Although the commercial operations of the unit started during October 2017, the unit was conducting trial runs up till April 2018.

It is constituted by four partners namely, Smt. Sowmya Ramesh, Smt. D. T. Sudha, Mr. H R Sukriti and Mr. T Nousheer. Smt. Sowmya Ramesh is a doctor by profession. Smt. Sudha and Mr. Nousheer both the partners have experience with animal husbandry activities. The land has been taken on lease rent agreement for a period of 10 years. As informed by the management that the firm has received the approval from APEDA (Agriculture and Processed Food Products Export Development Authority). The firm mainly procures its supplies from local suppliers located in and around Maddur and Bangalore and few suppliers in Rajasthan, Uttar Pradesh etc. Its customers are mainly Hotels, Super markets, Meat processing companies in and around Bangalore and few in the region of Kochin & Wayanad; to name a few Lucious Pvt Ltd, Metro, Spar Market etc. Presently, it has employed 19 no members on contract, 30 nos workers and 31 nos as salaried employees. As per the management, the Processing capacity for FY19 for Sheeps and Goats was 225000 nos each.

**KEY FINANCIAL INDICATORS (in ₹ Cr)**

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	₹ Crs	3.32	0.00
EBITDA	₹ Crs	(1.50)	(0.09)
PAT	₹ Crs	(3.86)	(0.11)
Tangible Net worth	₹ Crs	7.52	7.54
Total Debt/Tangible Net worth	Times	1.30	1.05
Current Ratio	Times	0.86	1.86

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : None**

**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]**

Facility	Current Rating (2020)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	24.3.2020	FY19	31.10.2018
Fund Based	Long term	19.96	BWR B stable Migrated from BWR C Issuer Non Cooperation (Upgraded)	BWR C Issuer Non Cooperation (Downgrade)	-	BWR B stable
<b>Total</b>		<b>19.96</b>	<b>INR Nineteen Crores and Ninety Six Lakhs Only</b>			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

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

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*Al Jalil Exports*

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Tenure	Total (₹ Cr)
1	Canara Bank	Cash credit	Long Term	12.00
2		Term loan I #		3.50
3		Term loan II #		2.46
4		Proposed Term loan (Covid 19 scheme) #		2.00
<b>TOTAL AMOUNT</b>				<b>19.96</b>

*#Term loan amount outstanding as on 5.8.2020*

**Total Rupees Nineteen Crores and Ninety Six Lakhs Only.**



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