RATING RATIONALE

Al Raheem International Pvt. Ltd. **20 March 2019**

Brickwork Ratings reaffirms the ratings for Bank loan Facilities of ₹. 8.21 Crores of Al Raheem International Pvt. Ltd.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (March 2019)	Present
Fund Based: Cash Credit	7.50	7.50	Long Term	BWR B+ Stable Upgraded	BWR B+ Stable Reaffirmed
Fund Based: Term Loan	1.13	0.71			
Total	8.63	8.21	INR Eight Crores and Twenty One Lakhs Only		

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

RATING ACTION/OUTLOOK

BWR reaffirms the ratings of Al Raheem International Pvt. Ltd of bank loan facilities of Rs 8.21 Crs at BWR B+(Stable) factoring the extensive experience of the promoters and adequate coverage ratios.BWR believes that business risk profile of Al Raheem International Pvt. Ltd. will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. BWR has essentially relied upon the audited financial statements of Al Raheem International Pvt. Ltd. upto FY 19,FY20(6M) Provisionals and projected financial statements of FY20 and FY21, publicly available information and information/clarifications provided by the entity’s management.

KEY RATING DRIVERS

Credit Strengths:

- **Promoters Experience**:The Promoter Mr Sageer Ahmad has two decades of experience while Mrs. Nasreen Bano has one decade of experience in the pet food industry.Long experience of the promoters, coupled with proven track record of the firm in the seafood industry has enabled it in establishing strong ties with its customers and suppliers.

- **Moderate Operating Profit Margins,coveage ratios and liquidity profile**:The firm's operating profit margin has increased Y-O-Y and stands at 13.68% In FY19 as compared to 6.89% in FY18.The coverage ratios have shown marginal improvement in FY19, ISCR and DSCR being 1.81% and 1.18% in FY19 respectively.The liquidity profile is adequate with current ratio of 1.28 times as on 31st March 2019.

Credit Risks:

- **Declining scale of operations in the recent past**:The operating income has declined in FY19 to Rs 13.08 Crs from Rs 21.72 Crs on account of decrease in availability of buffalo meat (raw Material) after the majority of slaughter houses were closed by the UP Government.

- **Low Net worth and leveraged Capital Structure**: The Tangible net worth of the firm is low at Rs 2.13 Crs.Further the capital structure is leveraged on account of increased debt levels leading to a high gearing of 7.34 times in FY19.The net profit margin is low at 0.37% in FY19.

- **Susceptibility of profit margins to fluctuation in foreign exchange** – With the firm deriving majority of its operating income from exports, the profit margins are susceptible to fluctuation in foreign exchange.

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 company to improve its scale of operations,Profitability and maintain its liquidity profile will be its key rating sensitivity.

Positive: The ratings may be upgraded with improvement in scale of operations ,profit margins and tangible net worth.

Negative: The ratings may be downgraded in case revenues of the company and profit substantially plunge from the current levels and gearing and debt service metrics deteriorate.

LIQUIDITY POSITION

The liquidity position of the firm is adequate and marked by a comfortable current ratio of 1.28x in FY19.The cash and cash equivalents are Rs 0.61 Crs in FY19 and the current investment are negligible.The average CC utilization is 94% for the past 6 months. The cash accruals in FY19 stood at Rs 0.80 Crs against a CPLTD of Rs 0.52 Crs

COMPANY PROFILE

M/s Alraheem International Pvt Ltd, was incorporated as a private limited company in the year 2013. The company is engaged in manufacturing and trading of Pet Foods. The manufacturing unit is situated in Village Alipur,Meerut.Mr. Sageer Ahmad and Ms. Nasreen Bano are directors of the Company and are having more than 10 years of experience in the same line of activity.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2019	FY 2018
Result Type		**Audited**	**Audited**
Net Sales/Revenues	₹ Cr	13.08	21.78
EBITDA	₹ Cr	1.83	1.50
PAT	₹ Cr	0.05	0.05
Tangible Net Worth	₹ Cr	2.13	2.07
Total Debt /TNW	Times	7.34	6.75
Current Ratio	Times	1.28	1.19

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:NIL

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:NIL

RATING HISTORY

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	March 2019	May 2018	2017
Fund Based	Long Term	8.21	BWR B+ Stable Reaffirmed	BWR B+ Stable Upgraded	Rating Not reviewed	Not rated
Total		8.21	INR Eight Crores and Twenty One Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

General Criteria

Approach to Financial Ratios

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Al Raheem International Pvt. Ltd.
ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	Cash Credit	7.50	-	7.50
		Term Loan O/S	0.71	-	0.71
		Total			8.21

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