



## Rating Rationale

Al-Sana Agro Food Products Pvt Ltd

16 Jan 2019

**Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs. 30.00 Crs of Al-Sana Agro Food Products Pvt Ltd ('AFPL' or 'The Company')**

### Particulars

Facility *	Amount (Rs. Crs)	Tenure	Rating <sup>^</sup>
<b>Fund Based</b> Cash Credit	30.00	Long Term	<b>BWR BBB-</b> (Pronounced as BWR Triple B Minus) Outlook: Stable <b>Assigned</b>
<b>Total</b>	<b>30.00 (INR Thirty Crore Only)</b>		

<sup>^</sup> Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\* Annexure-I provides details of bank wise facilities

### **Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon the audited financials upto FY18, financial projections for FY19, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experienced promoter, strong financial risk profile, comfortable coverage ratios and corporate guarantee & strong group support provided by Al-Hamd Agro Food Products Pvt Ltd in the view of commonality of management and business profile. The rating, however, is constrained by fluctuating sales, customer concentration risks and industry risks.

Going forward the ability of the Company to manage regulatory and political risks, improve its scale of operations and reduce customer concentration risks would remain the key rating sensitivities.

16 Jan 2019



## **Analytical approach**

For arriving at its ratings, BWR has taken into account, *inter alia*, the explicit support provided by Al-Hamd Agro Food Products Pvt Ltd (Flagship company of the group) to Al-Sana Agro Food Products Pvt Ltd (AFPL) in the form of corporate guarantee.

Also, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

## **Rating Outlook: Stable**

BWR believes AFPL'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 company shows sustained improvement in the revenues and profit margins. The rating outlook may be revised to 'Negative' if the company is not able to improve its profit margins and manage regulatory and political risks.

## **Key Rating drivers**

### **Credit Strengths**

- **Experienced promoters and established market position of the group:** The Company benefits from the promoter's experience of over three decades in the industry. The Al-Hamd Group is promoted by Md. Zaheer, a first generation entrepreneur and is supported by his sons in the business.
- **Group Support:** The Company enjoys support from its group company i.e 'Al-Hamd agro Food Products Pvt Ltd' (BWR BBB+ (Outlook: Stable)/A3+) and 'Al-Dua Food Processings Pvt Ltd' (BWR A- (Outlook: Negative)/A2+) in the view of commonality of management and business synergies. 'Al-Hamd' is the flagship company of the group with same shareholding and management. It has provided explicit support to Al-Sana in the form of corporate guarantee. Also both 'Al-Hamd' and 'Al-Dua' are expected to support the business of Al-Sana and provide management and technical expertise.
- **Strong Financial Risk Profile:** The Financial Risk Profile of the company is strong as marked by moderate gearing and moderate net worth of Rs. 17.01 Crs. Also, the company has high liquidity as marked by net cash accruals of Rs. 1.90 Crs and cash and cash equivalents of Rs. 7.09 Crs for FY18.
- **Above Benchmark coverage ratios:** Coverage ratios are comfortable as marked by the ISCR and DSCR at 3.82 times and 2.89 times respectively for FY18.



### **Credit Weaknesses**

- **Fluctuating Sales:** The Sales of the company have been fluctuating for the previous three FYs. Net Sales of the has been at Rs. 459.09 Crs for FY18 as against Rs. 731.44 Crs for FY17 and Rs. 584.68 Crs for FY16.
- **Customer concentration risks:** As the company majorly caters to 3-4 customers, it is susceptible to customer concentration risks. Also its majority of sales is to Al-Hamd Agro Foods Products Pvt Ltd, change in demand from them and other group companies has major impact on its revenues as was in the case in FY18 when lower demand from these companies lead to decline in the revenues.
- **Industry Risks:** Apart from high level of competition, the meat industry is exposed to the political risk and is prone to the risks arising out of changes in government regulations.

### **About the Company**

AL- Sana Agro Food Products Pvt Ltd was incorporated in 2010 at Aligarh (UP) and promoted by Mr. Mohd Zaheer. It is engaged in the trading of livestock. It procures livestock (majorly buffalos) from market and supplies it to the abattoirs for slaughtering. The Company supplies 90% of its total products to its group companies majorly to Al-Hamd Food Processing Pvt Ltd. The Company was promoted by Mr. Mohd. Zaheer who has extensive experience in the business. Group Companies Al-Dua Food Processing Pvt Ltd and Al-Hamd Food Processing Pvt Ltd (purchased from MK Overseas in FY18) are engaged in the processing and export of meat and meat products.

### **About the Guarantor**

Al-Hamd Agro Food Products Pvt Ltd (flagship company of the group) was registered in 2003 and commenced operations in 2005. The company has integrated abattoir and meat processing plant and exports to Middle East and South East Asian countries.

### **Financial Performance**

During FY18, The Company has reported net revenues of Rs. 459.09 Crs and PAT of Rs. 1.89 Crs for FY18 as against revenues of Rs. 731.44 Crs and PAT of Rs. 4.40 Crs due to lower demand from the group companies. Tangible net worth is moderate at Rs. 17.01 Crs for FY18. Overall gearing was moderate at around 0.54 times for FY18.



Key financial indicators are furnished in Annexure I.

**Annexure I**  
**Key Financial Indicators**

Particulars		FY17 (Audited)	FY18 (Audited)
<b>Net Revenues</b>	(Rs. Cr)	731.44	459.09
<b>OPBDIT</b>	(Rs. Cr)	6.92	3.82
<b>PAT</b>	(Rs. Cr)	4.40	1.89
<b>Net Worth</b>	(Rs. Cr)	15.14	17.01
<b>TOL/TNW</b>	(Times)	1.49	0.54
<b>Current Ratio</b>	(Times)	1.22	1.59

**Rating History for the last three years:**

Facility	Amount (Rs.Crs)	Tenure	Current Rating (Jan 2019)	Rating History		
				2018	2017	2016
<b>Fund Based</b> Cash Credit	30.00	Long Term	<b>BWR BBB-</b> (Pronounced as BWR Triple B Minus) Outlook: Stable <b>Assigned</b>	N.A	N.A	N.A
<b>Total</b>	<b>30.00</b>		<b>INR Thirty Crore Only</b>			

**Status of Non cooperation with other CRA : None.**



**Any other information : Not applicable.**

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Trading Entities](#)
- [Approach to Financial Ratios](#)

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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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.



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