

**Al-Saqib Exim Pvt Ltd**

**Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹ 5.00 Crores of Al-Saqib Exim Pvt Ltd**

**Particulars**

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (October, 2019)	Present
<b>Fund Based</b>	5.00	5.00	Short Term	<b>BWR B+ Stable</b>	<b>BWR D Downgraded</b>
<b>Total</b>	<b>5.00</b>	<b>5.00</b>	<b>INR Five Crores Only</b>		

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

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

**RATING ACTION / OUTLOOK**

Brickwork rating has downgraded the long-term rating of Al-Saqib Exim Pvt Ltd to BWR D on account of downturn in revenues in FY20, irregularities in debt servicing, thin profit margins, concentration risk, regulatory risk and impact of Covid-19 Outbreak.

**KEY RATING DRIVERS**

**Credit Strengths:**

- **Experience of the Promoters** : The directors have extensive experience in the field of meat trading, meat processing and export business. The directors have also been doing meat processing and exports in their group companies.
- **Moderate Financial Risk Profile** : Gearing (Analysed) of 1.75X in FY19 is considered moderate. The same owes to increase in interest free unsecured loans from the group concerns, family and friends which is taken as a part of TNW (Analysed). Debt Protection Metrics i.e. ISCR at 1.71X in FY19 is considered to be healthy. The same owes to healthy operating profits and lower interest costs.
- **Location-Specific Advantage** : Most of the players in the industry have facilities in Uttar Pradesh, with easy access to high inventory of buffaloes in the region. Also, the

active participation by vendors ensures easy availability of the livestock.

#### **Credit risks:**

- **Downturn in revenues in FY20 :** The company reported a revenue of Rs.42.43 Cr. and Rs.134.55 Cr. in FY18 and FY19 respectively, registering a growth of almost 217%. Though there is a significant increase in revenue in FY19, the company has clocked a revenue within the range of Rs.70-75 Cr, in FY20, reflecting a substantial downturn in the revenue.
- **Profit Margins** are thin. Since the the company is in trading business, the profit margins are below average i.e. Operating Profit Margin and Net Profit Margin are at 0.98%and 0.19% in FY19.
- **Concentration risk :** In FY19 the Company had made 75% of its total sales to one of its group concerns, Al-Saqib Exports Pvt Ltd. The same exposes the company to revenue concentration risk. To mitigate this risk the company had started doing export sales in FY20 and generated 50-55% of its revenue from Al-Saqib Exports Pvt Ltd.
- **Irregularities in Debt Servicing :** The company has delayed payment of interest and principal to the bank.
- **Regulatory Risk :** The industry is highly regulated by the government. Any changes in existing regulatory framework/ environment may adversely affect the profitability of the company.
- **Impact of COVID-19 outbreak:** The outbreak of pandemic Coronavirus COVID-19 in January 2020 in China has triggered a complete standstill of Indian exports of meat. The exports to Asian and middle east countries are disrupted since no fresh orders have been received from the countries. At the same time meat processing has been halted. This will impact the revenues in the short to medium term.

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

BWR has factored in the standalone business parameters and financial risk profile of the firm to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

#### **RATING SENSITIVITIES**

Going forward, the ability of the firm to increase the scale of operations and improve profitability margins will be the key rating sensitivities.

**Positive:** Any substantial increase in the turnover, profitability margins and improvement in the overall financial risk profile and liquidity profile, besides timely debt servicing.

#### **LIQUIDITY POSITION (Poor)**

Liquidity position of the company is poor marked by almost 100% average utilization in the CC

over the past 6 months. Other liquidity indicators also stood moderate as marked by a comfortable Conversion Cycle of 27 Days in FY19 which has declined from 45 Days in FY18. Net Cash Accruals are low but the same are gradually improving. In FY18 Net Cash Accrual was at Rs.0.23 which has increased to Rs.0.46 Cr. in FY19. Cash and Cash equivalents are also low at Rs.0.18 Cr.

## COMPANY PROFILE

Al-Saqib Exim Pvt Ltd was incorporated on 16th June 2016. The company is in the business of trading of Buffalo Meat, Buffalo Offals and Livestock. The company purchases the live buffaloes in bulk from its registered vendors, who buy the same from the local farmers. The storage capacity of the company is 200MT. The company mainly sells Buffalo Meat, Buffalo Offals and Livestock to one of the group concerns, Al-Saqib Exports Pvt Ltd. and achieves 70-75% of its sales via the same. Thus the concentration risk is high. The company is also involved in exports of frozen Buffalo. The directors have extensive experience in the field of meat trading, meat processing and exports business. The directors have also been doing meat processing and exports in their group associated companies.

## KEY FINANCIAL INDICATORS (in INR Cr)

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	₹ Cr	134.55	42.43
EBITDA	₹ Cr	1.31	0.75
PAT	₹ Cr	0.25	0.21
Tangible Net worth (Analysed)	₹ Cr	3.40	3.30
Total Debt/Tangible Net worth (Analysed)	Times	1.75	1.62
Current Ratio	Times	1.24	1.34

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NIL**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY : NA**

## RATING HISTORY

Instrument /Facility	Current Rating (April, 2020)			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	October,2019	2018	2017
<b>Fund Based</b>	Long Term	5.00	<b>BWR D Downgraded</b>	<b>BWR B+ Stable</b>	-	-
<b>Total</b>		<b>5.00</b>	<b>₹ Five Crores 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

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## Al-Saqib Exim Pvt Ltd

### ANNEXURE I

#### Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	ShortTerm (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	Cash Credit	5.00	-	5.00
TOTAL					5.00

**Total Rupees Five Crores only.**

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