

## RATING RATIONALE

10 Oct 2019

### Al-Saqib Exim Pvt. Ltd

### Brickwork Ratings assigns ratings for the Bank Loan Facilities of ₹ 5.00 Crores of Al-Saqib Exim Pvt. Ltd

#### Particulars

Facility/ Instrument**	Amount (₹ Cr)	Tenure	Rating*
Fund based	5.00	Long Term	BWR B+ (Outlook : Stable)
<b>Total</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 assigned a rating of BWR B+ for long term with Stable Outlook on account of increase in scale and TNW, vast experience of the promoters in the same field of meat trading, meat processing and export business. The rating is further supported by location specific advantage ensuring availability of high inventory of buffaloes, moderate liquidity, gearing and healthy debt protection metrics.

Stable outlook is due to anticipated revenue stream to be maintained in the medium term.

The rating, however, is constrained by thin profit margins due to trading activity, and adverse effect of the changes in the rules & regulations with respect to the meat industry.

#### 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 associated companies.
- **Moderate Financial Risk Profile** : Gearing (Analysed) of 1.52X 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 is at 1.66X in FY19 (Prov.) which is considered to be healthy. The same owes to healthy operating profits and lower interest costs.

- **Adequate liquidity** i.e. current ratio is at 1.62X in FY19 (Prov.). Other liquidity indicators also stood moderate as marked by comfortable Conversion Cycle of 45 Days in FY18 which has declined to 31 Days in FY19 (Prov.) representing moderate duration of time the company takes to sell its inventory, collect its receivables and pay its bills.
- **Increase in Scale and TNW (Analysed)** : The company reported a revenue of Rs.42.43 Cr. in FY18. According to the CA certified Provisional Financials of FY19, the company has achieved a revenue of Rs.134.55 Cr. registering a growth of 217% in FY19. The company has also availed unsecured loans amounting Rs.4.17 from the group concerns, family and friends which are interest free and are considered as a part of TNW (Analysed).
- **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:**

- **Thin Profit Margins** i.e. Operating Profit Margin and Net Profit Margin at 0.95% and 0.18% are considered thin due to trading nature of the business.
- **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.

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

BWR has factored in the standalone business parameters and financial risk profile of the company 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 company's ability to improve its profit margins, improve its capital structure and sustain growth in top line would be key sensitivities over short to medium term.

Positive: The rating outlook may be revised to positive if the company is able to improve substantially its profit margins i.e. Net Profit Margin to 4-5%.



Negative: The rating may be downgraded if there is a delay in debt servicing and further deterioration of financial risk profile.

### **LIQUIDITY POSITION (Adequate)**

Moderate liquidity i.e. current ratio is at 1.62X in FY19 (Prov.). Other liquidity indicators also stood moderate as marked by comfortable Conversion Cycle of 45 Days in FY18 which has declined to 31 Days in FY19 (Prov.) As per banker's feedback, the utilization of the CC has been 100%,

### **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)**

<b>Key Parameters</b>	<b>Units</b>	<b>2018</b>	<b>2017</b>
<b>Result Type</b>			
Operating Revenue	₹ Cr	42.43	0.25
EBITDA	₹ Cr	0.75	0.01
PAT	₹ Cr	0.21	0.00
Tangible Net worth (Analysed)	₹ Cr	2.41	0.69
Total Debt/Tangible Net worth (Analysed)	Times	2.58	0.00
Current Ratio	Times	1.34	1.56

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

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

## RATING HISTORY

Instrument /Facility	Current Rating			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	FY17	FY16	FY15
<b>Fund Based</b> <b>Cash Credit</b>	Long Term	5.00	<b>BWR B+</b> Outlook: Stable	NA		
<b>Total</b>		<b>5.00</b>	<b>₹ Five Crore 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)	Total (₹ Cr)
1	Punjab National Bank	Cash Credit	Long Term	5.00
<b>TOTAL</b>				5.00

**Total Rupees Five Crores only.**

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