



## Rating Rationale

Ali Afzal Flour Mill Limited

08 Feb 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 16.45 Crores of Ali Afzal Flour Mill Limited.

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	16.45	Long Term	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable</b>
Non Fund Based* (Sub-limit of Term Loan)	5.40*	Short Term	<b>BWR A4</b> (Pronounced as BWR A Four)
<b>Total</b>	<b>16.45</b>	<b>INR Sixteen Crores And Forty Five Lakhs Only</b>	

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

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

BWR has essentially relied upon the audited financials upto FY18, sales data of 9 months upto 31 Dec of FY19, projected financials of FY19 and onwards, publicly available information and information / clarification provided by the company's management.

The rating draws strength from the extensive experience of the main promoter Mr. Abdul Mannan in this industry and the company's proven track record under his leadership. The rating also factors the proposed capacity enhancement of the company from 200 tonnes/day to 570 tonnes/day and the availability of wheat in abundance in the region. The rating is further strengthened by the above average financial risk profile of the company in FY18 with a moderate networth (analyzed) of 6.07 Crs, DSCR & ISCR of 2.72 & 3.37 times and conversation cycle of 28 days.

The rating is however constrained by the price fluctuations due to regulatory changes and the highly competitive and fragmented nature of the food processing industry.

Going forward the company's ability to complete the installation of the proposed plants within stipulated time and starting commercial production on the projected lines and to maintain the same level of financial risk profile will be the key rating sensitivities.

## Description of Key Rating Drivers

### Credit Strengths:

- **Locational Advantage:** The company is located in Barabanki , UP and thus has a competitive advantage in terms of skilled labor, logistics, production knowledge and availability of wheat in abundance making the company more efficient and cost effective.
- **Networth:** Net worth of the company is increasing Y-O-Y due to retention of profits and the promoters plan to infuse more funds in next financial year. The company has also increased its authorized share capital from Rs.5.00 Crs in FY18 to Rs.7.00 Crs. in current year.
- **Debt Protection Metrics:** DSCR and ISCR of the company stand at 2.72 and 3.37 respectively in FY18 indicating company's ability to meet its debt obligations.
- **Company's Existence:** The company is in existence for 14 years and has seen complete business cycles.
- **Revenue from Operations:** The company's revenue from operations has grown substantially by 64.3 % in the FY 18 and is projected to grow by three times in FY20 after expansion of the installed capacity from 200 tonnes/day to 570 tonnes/day.
- **Moderate conversion cycle:** The company's conversion cycle was 28 days in FY 18 which is considered good.

### Credit Risks:

- **Regulatory Risk:** The industry is regulated by the government. Any changes in existing regulatory framework/ environment may adversely affect the profitability of the company.
- **Competition in the Industry:** Entry barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability.

### Analytical Approach

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 Outlook: Stable

BWR believes the **Ali Afzal Flour Mill Limited** 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 revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



### About the Company

M/S Ali Afzal Flour Mill was formed as a partnership firm on 19 March 2005. W.e.f. 23 Aug 2016, the firm was registered as a limited company in the name of Ali Afzal Flour Mill Limited. The directors of the company are Mr. Abdul Mannan, Mrs. Nazmeen Akhtar and Mohd. Monis. The company has a flour milling plant in Barabanki, UP with current installed capacity of 200 tonnes/day. The company is undertaking an expansion of its milling capacity by 370 tonnes/day to reach the total capacity of 570 tonnes/day and expects to operationalize the same by April 2019. The plant is established in an area of 1.26 acres of land which is owned by one of the promoters. The company processes and sells these products: Aatta, Bran, Maida, Suji, Bardana etc.

### Company's Financial Performance

The company's revenues have increased by 64% in FY18 on the back of increased sales. The company's financial risk profile as on 31 March 2018 was moderate with a TNW (analyzed) of Rs.6.07 Crs., operating margin of 2.52%, net profit margin of 0.96% and gearing of 0.53 times. The debt protection metrics of the company are also comfortable with DSCR & ISCR of 2.72 & 3.37 respectively.

#### Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	35.70	21.76
EBITDA	₹ Cr	0.90	0.41
PAT	₹ Cr	0.34	0.06
Tangible Net worth (analyzed)	₹ Cr	6.07	4.92
Total Debt/TNW (analyzed)	Times	0.53	0.27
Current Ratio	Times	1.74	2.31

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
I II	Fund Based Cash Credit Term Loan	Long Term	5.00	BWR BB- (Pronounced as BWR Double B Minus)	NA	NA	NA
			11.45				
III	Non Fund Based FLC* *(sub-limit of TL)	Short Term	5.40*	BWR A4 (Pronounced as BWR A Four)			
	<b>Total</b>		<b>16.45</b>	<b>₹ Sixteen Crores And Forty Five Lakhs Only</b>			

Status of non-cooperation with previous CRA (if applicable)- NA

Any other information: NA

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

Analytical Contacts	Media
<i>Satvinder Kumar Gakhar</i> <i>Associate Director-Ratings</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<b>Relationship Contact</b>
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

#### For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

#### 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**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

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.

### **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.