Rating Rationale

Rayban Foods Pvt. Ltd.

21 Feb 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 30.00 Crores of Rayban Foods Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	**30.00**	**Long Term**	**BWR B** (Pronounced as BWR Single B) **Outlook: Stable**
Fund Based* (*Sub-limit of CC limit)	**7.50***	**Short Term**	**BWR A4** (Pronounced as BWR A Four)
Total	**30.00**	**INR Thirty Crores Only**	

*Please refer to BWR website 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 for FY19 upto 31 Dec 2018, publicly available information and information / clarification provided by the company's management.

The rating draws strength from the comfortable Networth (analyzed TNW) of Rs.30.80 Crores as on 31 Mar 2018 and moderate debt protection metrics as reflected in DSCR & ISCR of 1.94x & 2.41x respectively in FY18. The rating is also strengthened by the experience of the promoters in the meat processing and export business.
The rating is however constrained by the regulatory risk associated with the meat processing industry in India. The rating factors the adverse effect of the recent changes in the rules & regulations with respect to the meat industry in the state of Uttar Pradesh. Rating is also affected by the occasional irregularity in the conduct of the account along with a stretched operating cycle of the company characterized with quite high payable, receivable and inventory days.

Going forward, the company's ability to streamline its operating cycle by proper management of receivables & payables, grow its sales and reach previous scale of operations and manage its working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers
Credit Strengths: ● **Good Networth:** Analyzed net worth of the company has increased in FY17 onwards through infusion of unsecured loans of Rs. 8.79 Crs. from the directors. ● **Debt Protection Metrics:** DSCR and ISCR of the company stand at 1.94 and 2.41 respectively in FY 18 indicating company's adequacy to meet its debt obligations. ● **Experienced promoters:** The promoters of the company are well experienced in the field of meat processing and export business.
Credit Risks: ● **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. The industry has been adversely affected by the new guidelines issued by the state government in Uttar Pradesh. ● **Liquidity Position:** The FY 18 current ratio of 0.87 indicates inadequate liquidity position. ● **Stretched operating cycles:** The company's Account Receivable days of 295, Inventory days of 161 and Account Payable days of 443 is a matter of concern for the smooth functioning of the unit.

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 **Rayban Foods Pvt. Ltd.** 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

Rayban Foods Pvt. Ltd.(RFPL) is a company limited by shares which was incorporated on 15 Feb 2006. It started its operations in the year 2010 wherein it's engaged in the processing of buffalo meat. It has a meat processing plant located in Hapur, Uttar Pradesh which is in close vicinity to Indian Capital city New Delhi. RFPL runs an Integrated Slaughter Facility carrying out Processing & Trading of Meat & Meat Products and supplying it in Domestic & Overseas Markets like China, Dubai, Muscat and Egypt etc. The slaughter house has a capacity to process 1000 buffaloes per day supplimented by a freezing plant which has a meat storage capacity of 200 Metric Tonnes (MT) along with a rendering plant for processing of waste.

Company's Financial Performance

The company has seen huge variations in its revenues in the past three years wherein its operating income grew by 104% in FY17 over FY16 figures and in FY18 the revenues fell by 69% over FY17 figures. Although the operating margin improved to 7.04% in FY18 as compared to 1.27% in FY17 whereas the Net profit margin slumped to negative (-0.33%) in FY18 in comparison to 0.28% in FY17. The financial profile of RFPL is comfortable with analyzed gearing of 0.98x and DSCR & ISCR of 1.94x & 2.41x respectively. The liquidity position is a bit stressed with a current ratio of 0.87 times.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	130.66	430.36
EBITDA	₹ Cr	9.20	5.46
PAT	₹ Cr	(0.43)	1.21
Tangible Net worth (Analyzed)	₹ Cr	30.80	31.23
Total Debt/Tangible Net worth (Analyzed)	Times	0.98	0.96
Current Ratio	Times	0.87	0.83

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (Feb, 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
I	**Fund Based Cash Credit**	Long Term	30.00	**BWR B** (Pronounced as BWR Single B) Outlook: Stable	**NA**	**NA**	**NA**
II	**Fund Based* PCL/FDBN/FDBP/ FDBD *(sub-limit of Cash Credit limit)**	Short Term	7.50*	**BWR A4** (Pronounced as BWR A Four)			
	Total		**30.00**	**₹ Thirty Crores Only**			

Status of non-cooperation with previous CRA (if applicable)- ICRA B (stable)/A4 Issuer Not Cooperating category via rationale dated 31 Jan 2018
Any other information: NA

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Short Term Debt

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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 Investors queries can be sent to 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.

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