

Rating Rationale

Al-Hamd Agro Food Products Pvt. Ltd.

21 Jan 2019

Brickwork Ratings reaffirms ratings for the long term and short term bank loan facilities of Al-Hamd Agro Food Products Pvt. Ltd.

Particulars

Facility	Tenure	Previous Amount	Current Amount	Previous Rating	Current Rating
Cash Credit	Long Term	2.00	NIL	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable	BWR BBB+ (Pronounced as BWR Triple B Plus) (Reaffirmed) Outlook: Stable
Term Loan		NIL	3.30		
EPC/PCFC	Short Term	77.00	137.00	BWR A3+ (Pronounced as BWR A Three Plus)	BWR A3+ (Pronounced as BWR A Three Plus) (Reaffirmed)
Total		79.00	140.30	Rupees One Hundred Forty crores and Thirty Lakhs only	

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

BWR reaffirms rating of long term bank loan facilities at BWR BBB+ (with stable outlook) and reaffirms short term rating for the short term bank loan facilities at BWR A3+.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, projected financials for FY 19 and FY20, publicly available information and information/clarifications provided by Al-Hamd Agro Food Products Pvt. Ltd. (“AFPL or “the Company”).

The ratings continue to draw strength from experience of the promoters, comfortable liquidity and gearing profile besides comfortable debt protection metrics. The manufacturing facilities of the company are located in Aligarh, UP, and majority of the revenues are generated by exports. The ratings are, however, constrained by the industry’s regulatory scenario and forex risks on unhedged exports.

Liquidity position of the company is comfortable as reflected by debt protection metrics, profitability ratios and cash conversion cycle of average 20 days for previous two financial years. Other liquidity

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indicators such as current ratio, cash and bank balances and net working capital (Rs.103.85 crs) during FY18 are also robust.

The Company operates at almost full capacity and has recently acquired Al-Dua Food Processing Pvt. Ltd. (Al-Dua) to cater to increase in demand. Al-Dua has its processing plant also located in Aligarh, UP, with an installed capacity of 2,01,000 MTPA and comprises an abattoir and integrated meat plant for exports of buffalo meat and other related products to South Asia, the CIS (Commonwealth of Independent States), far east and traditional markets of the Middle East. Thus, with acquisition of Al-Dua, AFPL would benefit from enhanced installed capacity, access to new markets, expanded client base, established distribution network and other key operational linkages.

Key Rating Drivers:

Credit Strengths:

- **Experienced promoters and strong family support:** The Company was initially promoted by Mr. Mohd. Zaheer who has an experience of more than 4 decades in the same line of business. Further, the promoter is supported by his sons, acting as Directors, and the second generation as department heads.
- **Gearing Profile:** The Company has a robust network base and healthy gearing profile indicated by Debt / TNW ratio of 0.56 times in FY18
- **Debt Protection metrics:** The Company's debt protection metrics, viz. DSCR and ISCR are at 9.80x and 10.36x respectively in FY18. The same is projected to improve further going forward.

Credit Weaknesses:

- **Regulatory Risks:** This industry is exposed to government regulatory risks, both domestic as well as international.
- **Forex Risks:** The Company's international business operations are also exposed to forex risks on unhedged exports.
- **Geopolitical Risks:** Due to its location in Aligarh (UP), the Company is susceptible to risks arising from the political and social scenario in the state.

Analytical Approach

Analysis of the company financials have been carried on a standalone basis. Please refer to the applicable criteria at the end.

Other Disclosures:

The Company's other group concerns viz. Al-Dua Food Processing Pvt. Ltd. is rated BWR A- (SO) with negative outlook/ BWR A2+ and Al-Sana Agro Foods Products Pvt Ltd, is rated BWR BBB- with stable outlook.

Rating Outlook: Stable

BWR believes that Al-Hamd Agro Food Products Pvt. Ltd.'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 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

Al-Hamd Agro Food Products Pvt Ltd was registered as a Pvt Ltd company in 2003 and commenced its operations in 2005. The registered and corporate office of the company is in Aligarh, U.P. The company has an integrated abattoir and meat processing plant in Aligarh, U.P. with products being exported to international markets in the Middle East and the South East Asia. The company is ISO 9001:2008, HACCP and FSSAI certified.

Company Financial Performance

	Unit	FY17 (Aud)	FY18 (Aud)
Net Sales/Revenues	Rs. in Cr	1964.26	1844.53
EBIDTA	Rs. in Cr	55.15	41.87
PAT	Rs. in Cr	30.83	33.06
Tangible Net worth	Rs. in Cr	112.18	144.34
TOL/ TNW	Times	1.65	1.63
Current Ratio	Times	1.41	1.45

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (FY2019)			Rating History		
		Type	Amount (Rs Crs)	Rating	FY2018	FY2017	FY2016
1	Term Loan	Long Term	3.30	BWR BBB+ Outlook : Stable (Pronounced as BWR Triple B Plus)	BWR BBB+(Outlook : Stable)(Pronounced as BWR Triple B Plus)	NA	NA

2	EPC/PCFC	Short Term	137.00	BWR A3+ (Pronounced as BWR A Three Plus)	BWR A3+ (Pronounced as BWR A Three Plus)	NA	NA
			Rs. 140.30 Cr (Rupees One Hundred Forty crores and Thirty Lakhs only)				

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

Any other information – NIL

Hyperlink/Reference to applicable Criteria

- [Approach to Financial Ratios](#) [General Criteria](#)
- [Manufacturing Sector](#) [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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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