



## Press Release

### Al-Hamd Agro food Products Private Limited September 04, 2020

#### Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
Bank Facilities- Long Term	2.80	IVR A-/Stable Outlook (IVR Single A Minus with Stable outlook)	Assigned
Bank Facilities- Short Term	187.00	IVR A2+ (IVR A Two Plus)	Assigned
<b>Total</b>	<b>189.80</b>		

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The aforesaid rating assigned to Al-Hamd Agro food Products Private Limited (AHAFPL) derives comfort from its experienced promoters and management team with its established presence in meat processing and exports and increased market share & capacity due to recent acquisition of Al Dua Food Processing Pvt Ltd. which is into similar line of business. The rating also draws comfort from its comfortable capital structure along with strong net worth base, and its adequate debt protection metrics. Further, capital structure is expected to remain comfortable as the company is not having any debt avilment plan in medium term. These rating strengths are partially offset by exposure to foreign exchange risk and trade policies of importing countries, intense competition in industry and government regulations along with exposure to foreign exchange fluctuations.

#### Key Rating Sensitivities

##### Upward Factors:

- Substantial and sustained growth in operating income, operating margin and cash accrual
- Improvement in working capital management with utilisation of bank borrowings to remain below current levels on a sustained basis
- Improvement in capital structure and debt protection metrics with overall gearing ratio to remain below 1.0x on sustained basis



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### **Downward Factors:**

- Moderation in operating income and cash accrual impacting the debt protection metrics on a sustained basis
- Stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure weakens the financial risk profile, particularly liquidity.
- Deterioration in overall gearing to over 1.5x

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

#### **Established track record and longstanding experience of the promoters**

Incorporated in 2003, Al Hamd Agro Food Products Pvt Ltd has an established operational track record in the buffalo meat industry with its promoters, Mr. Zaheer & family having almost four decades of experience in the industry. Mr. Zaheer & family, over the years had established healthy relationship with its customers and suppliers. In July, 2018, Al-Hamd Agro Food Products Pvt. Ltd. has acquired 99.91% equity of Al Dua Food Processing Pvt. Ltd., making it a wholly owned subsidiary company, which provides access to increased in house capacity and enables to increased market share in the industry.

#### **Proximity of manufacturing facilities to source of raw material**

The Group's plants are located at Aligarh with other leased unit in Uttar Pradesh, which have sizeable buffalo population in India, thereby ensuring easy availability of quality raw material.

#### **Debt primarily comprises short-term borrowings;**

The majority of the company's debt is working capital borrowings in the form of export packing credit (PC). Against a strong net worth base of above Rs.268.18 Crs, the group has minimal long term debt.

#### **Stable financial performance marked by improvement in total operating income**

Despite decline revenue in Al-hamd operations, the total operating income of the group has continuously increasing from FY18 onwards. As per Provisional financials of FY2019-20, the



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group has reported total operating income of Rs.2115.72 crore, up by 8% as against Rs.1980.44 Cr in FY2018-19, due to increased market share and wider market reach. However, operations of the group has been impacted as commercial processed meat during lockdown nationwide and impact of pandemic in Asian countries from January onwards.

Further, the product exported by them is a perishable eatable item, hence, after lockdown, the export of the processed meat again started and at group level it has already booked turnover of around Rs.825.96 crore in 5MFY21.

### **Comfortable capital structure and debt protection metrics**

The group has a comfortable capital structure mainly on account of its satisfactory net worth base of Rs.268.18 crore as on March 31, 2020 and borrowings to fund its working capital requirements. The overall gearing ratio of the group improved to 0.78 as on Mar.31, 2020 vis-à-vis 0.92x as on March 31, 2019, on the back of reduced utilization of bank borrowings and accretion of profit to reserves. Total indebtedness of the group as reflected by the TOL/TNW stood satisfactory at 2.35x as on March 31, 2019 and further improved to 1.60x as on March 31, 2020. Debt protection parameters marked by interest coverage ratio and Total Debt to GCA remained comfortable at 6.51x and 3.65 years in FY20.

### **Stable demand prospects**

The growth opportunity in the export segment is likely to remain stable as India is among the leading buffalo meat exporters in the world.

### **Key Rating Weaknesses**

#### **Highly competitive and fragmented industry**

The buffalo meat processing industry is highly fragmented and competitive because of the presence of large organised players and numerous mid-sized players. The competition is further aggravated by exports from other major meat-exporting countries such as Brazil and Australia. This keeps the pricing flexibility of the industry participants in check and limits profitability.



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### **Inherent business risks because of sensitive nature of the business and regulatory risk in importing country**

The business is exposed to significant challenges such as disease outbreaks in cattle population. Also, the industry is socially and politically sensitive in the country. Factors such as these can impact the availability and processing of buffalo meat. Moreover, as the company earns a major share of its revenue from the export market, the profitability remains exposed to risk of any adverse regulatory development in the importing country.

### **Exposure to foreign exchange risk and trade policies of importing countries**

Exports constitute ~90% of the company's revenues. It exports processed meat to countries in the Middle East (the UAE, Saudi Arabia, Kuwait, etc.), Vietnam, Thailand, Hong Kong, etc. Given that most of the revenues are contributed by exports, the group is exposed to foreign currency risk on its exports receivables. It enters into forward or future contracts to hedge its foreign currency exposure. At present its unhedged foreign currency exposure is almost Nil.

**Analytical Approach:** Combined (Al-Hamd Agro Food Products Pvt Ltd and Al-Dua Food Processing Pvt Ltd)

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies  
Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity: Adequate**

The group had generated healthy cash accrual of around Rs.72.00 Cr in FY20 (Prov.) as against minimal repayment obligation of close to Rs.0.7 Cr. Further, the company is also expected to generate steady cash accrual over the near medium term against minimal repayment obligation. Moreover, the Company's average utilisation of its bank lines was higher, at around 80 per cent over the 12 months ended May 2020 indicating a moderate liquidity buffer. Furthermore, comfortable gearing position along with moderate cash balances also supports the liquidity to an extent.



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### About the Company

Al-Hamd Agro Food Products Pvt Ltd was incorporated in the year 2003 and commenced its operations in 2005. The registered and corporate office of the company is located at Aligarh, Uttar Pradesh. 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.

In July, 2018, Al-Hamd Agro Food Products Pvt. Ltd. has acquired 99.91% equity of M/s Al Dua Food Processing Pvt. Ltd., making it a wholly owned subsidiary company.

Incorporated in 2005, Al-Dua Food Processing Pvt Ltd (ADFPPL) is engaged in the processing and exports of frozen buffalo boneless meat and meat products. The Al-Hamd is promoted by Mohd. Zaheer, who has over four decades of experience in the cattle sale & purchase and meat processing industry. Al-Dua Food Processing Pvt Ltd has set up a unit in 2012 with a total installed capacity of 2,01,000 MTPA (Integrated Meat plant) at Aligarh, Uttar Pradesh.

### **Financials (Combined)^**

	(Rs. crore)	
For the year ended / As on*	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	1980.44	2115.72
EBITDA	81.30	63.79
PAT	27.97	46.56
Total debt	199.51	207.95
Tangible Networth	217.88	268.18
PAT margins (%)	1.42	2.18
EBITDA margins (%)	4.11	3.02
Overall Gearing Ratio (x)	0.92	0.78

\*classification as per Infomerics standard.

^ Refer annexure-II for details.

**Status of non-cooperation with previous CRA:** On March 20, 2020, Brickwork ratings has migrated the rating of Al-Hamd Food products Pvt Ltd to BWR BBB+/Stable Issuer did not Cooperate due to non-receipt of adequate information to conduct review process.

**Any other information:** N.A



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### Rating History for last three years:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Long term – Fund Based– Term Loans	Short Term	2.80	IVR A- /Stable Outlook	-	-	-
2	Short Term –Non-Fund Based Facility – Derivatives	Short Term	50.00	IVR A2+	-	-	-
3	Short Term – Fund Based Facility – EPC/PCFC/ FBP/FBD	Short Term	137.00	IVR A2+	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long term – Fund Based– Term Loans	-	-	Varied, Last repayment till Aug, 2023	2.80	IVR A- /Stable Outlook
Short Term – Fund Based Facility – EPC/PCFC/ FBP/FBD	-	-	-	137.00	IVR A2+
Short Term –Non-Fund Based Facility – Derivatives	-	-	-	50.00	IVR A2+

### Annexure 2: List of companies considered for combined analysis

Sl. No.	Name of the company	Relation	Consideration
1.	Al Dua Food Processing Pvt Ltd	Subsidiary company	Full consideration