



Press Release

Mash Agro Foods Limited

October 28, 2020

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Fund Based Facility – CC / EPC / FBP/ PCFC / EBR / CC ECL / CEL	84.00	IVR A- /Stable (IVR Single A Minus with Stable Outlook)	Assigned
Long Term Fund Based Facility – Term Loans	13.50	IVR A- /Stable (IVR Single A Minus with Stable Outlook)	Assigned
Short Term Fund Based Facility – OD / EPC / FBP/ PCFC / EBR / CEL	38.50	IVR A2+ (IVR Single A Two Plus)	Assigned
Total	136.00		

**Details of Facilities are in Annexure 1*

Detailed Rationale

The ratings assigned to the bank facilities of Mash Agro Foods Limited (MAFL) take into account its established track record in meat processing industry, strategic location, healthy capital structure, improving scale of operations, and comfortable financial risk profile. These are partially offset by inherent business risks and regulatory risk, highly competitive and fragmented industry and exposure to trade policies of importing countries

Key Rating Sensitivities

Upward Factors

- Growth in operating income with improvement in margins leading to improvement in cash accruals on a sustained basis
- Improvement in the operating cycle leading to improvement in liquidity

Downward Factors

- Any future dip in operating income and/or profitability affecting the company's financial performance and liquidity position
- Stretch in the working capital cycle or sizeable capital expenditure weakening the financial risk profile.
- Any adverse government regulations.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record in meat processing industry- The promoters have more than a decade of experience in the meat processing business, which has helped the company in building stable relationship with its customers and suppliers. The company's sales are diversified across various countries such as Hongkong, Indonesia, Vietnam and Thailand etc

Strategic location -The plants are located at Chllhamari in Bihar & Hasanganj in Uttar Pradesh, which have sizeable buffalo population in India, thereby ensuring easy availability of quality raw material.

Healthy capital structure – The Company has a healthy net worth of Rs. 125.15 crore and a total debt of Rs. 87.75 crore primarily comprising of short-term borrowings of Rs. 75.86 crore to fund its working capital requirements. The majority of the company's debt is working capital borrowings in the form of export packing credit. The company has minimal long term debt. The total outside liabilities to adjusted tangible networth stood at 0.98x as on 31st March 2020.

Improving scale of operations-Over the past 3 years the company has consistently grown at a CAGR of 21.2%. As per provisional financials of FY2020, the company has reported total operating income of Rs. 902.77 crore, up by 40% as against Rs.646.42 Cr in FY2019, due to increased market share and wider market reach.

Comfortable financial risk-The overall gearing ratio of the company improved to 0.70x as on March 31, 2020 vis-à-vis 0.97x as on March 31, 2019, due to reduced utilization of bank borrowings and accretion of profit to reserves. Total indebtedness as reflected by the TOL/Adjusted TNW stood satisfactory at 0.98x as on March 31, 20120. Debt protection metrics marked by interest coverage ratio remained comfortable at 4.44x in FY2020.

Key Rating Weaknesses

Inherent business risks and regulatory risk- 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. Policies that have affected illegal abattoirs have been positive



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for licensed abattoirs. However, any policy change could impact business. 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.

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.

Exposure to trade policies of importing countries- Exports constitutes 100% of the company's revenues. It exports processed meat to countries in the Vietnam, Thailand, Hong Kong, etc. products have to meet quality standards internationally and any change in policies in the importing country can also impact the business.

Analytical Approach: Standalone

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.33.06 Crore in FY2020 (Prov.) as against minimal repayment obligation of close to Rs.5.28crore. 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 moderate, at around 54 per cent over the 12 months ended Sept 2020 indicating liquidity cushion. Furthermore, comfortable gearing position along with moderate cash balances also supports the liquidity to an extent.

About the Company

Mash Agro Foods Limited is a company incorporated on 29th July, 2010 with its registered office at Kanpur, Uttar Pradesh. The company is promoted by Mr. Sajid Nadeem, Mr. Shahid Waseem. They are the producer & exporter of frozen halal boneless buffalo meat. The production capacity is of 80000 MTPA. The company is in 100% export oriented sales. The



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company is ISO9001:2008, HACCP and FSSAI certified. The company has an APEDA registered integrated abattoir and meat processing plant in U.P & Bihar

Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	646.42	902.77
EBITDA	36.35	45.83
PAT	15.90	26.49
Tangible Net worth	89.23	115.69
Adjusted Tangible Net worth	99.01	125.15
EBITDA Margin (%)	5.62	5.08
PAT Margin (%)	2.46	2.93
Overall Gearing Ratio (x)	0.97	0.70

*As per Infomerics Standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Ratings	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.	CC / EPC / FBP/ PCFC / EBR / CC ECL / CEL	Long Term	84.00	IVR A- /Stable (IVR Single A Minus with Stable Outlook)	NA	NA	NA
2..	Term Loans	Long Term	13.50	IVR A- /Stable (IVR Single A Minus with Stable Outlook)	NA	NA	NA
3	OD / EPC / FBP/ PCFC / EBR / CEL	Short Term	38.50	IVR A2+ (IVR Single A Two Plus)	NA	NA	NA
Total			136.00				



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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.

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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 I

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 Facility – CC / EPC / FBP/ PCFC / EBR / CC ECL / CEL	-	-	12 months	84.00	IVR A- /Stable (IVR Single A Minus with Stable Outlook)
Long Term Fund Based Facility – Term Loans	-	-	April 2023	13.50	IVR A- /Stable (IVR Single A Minus with Stable Outlook)
Short Term Fund Based Facility – OD / EPC / FBP/ PCFC / EBR / CEL	-	-	-	38.50	IVR A2+ (IVR Single A Two Plus)
Total				136.00	