

March 03, 2015

Facilities	Amount (Rs. Crore)	Rating
<b>Term Loan</b>	<b>3.42</b>	<b>SMERA B+/ Stable (Assigned)</b>
<b>Working Capital credit Line</b>	<b>7.80*</b>	<b>SMERA B+/ Stable (Assigned)</b>

\*Includes Cash Credit as a sublimit to the extent of Rs.2.00 crore, PC/PCFC as a sublimit to the extent of Rs.7.80 crore and FBP/FBD/FCB as a sublimit to the extent of Rs.7.80 crore.

SMERA has assigned a rating of '**SMERA B+**' (**read as SMERA single B plus**) to the abovementioned bank facilities of Sarah Foods (Sarah). The outlook is '**Stable**'. The rating is supported by the firm's experienced management and healthy revenue growth. However, the rating is constrained by the firm's high gearing. The rating notes that the firm is susceptible to risks inherent in the meat processing industry. The rating is also constrained by the firm's exposure to intense competition.

Sarah, established in 2010, is a Delhi-based proprietorship firm engaged in processing and export of buffalo meat. Sarah benefits from its experienced management. Mr. Zulfiqar, proprietor of Sarah, has around 15 years of experience in the meat processing industry. The firm's revenue has grown at a healthy compound annual growth rate (CAGR) of 69 per cent during FY2010-11 to FY2013-14.

Sarah's gearing (debt-to-capital ratio) is high at 2.92 times as on March 31, 2014. The firm's net worth is low at Rs.3.29 crore as on March 31, 2014. Sarah's business is susceptible to outbreaks of cattle diseases and adverse changes in trade policies. The firm faces intense competition from several players in the meat processing industry.

## Outlook

SMERA believes Sarah will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenues while achieving healthy operating margin. The outlook may be revised to 'Negative' in case of deterioration in the firm's profit margins or working capital management.

## About the firm

Sarah, established in 2010, is a Delhi-based proprietorship firm promoted by Mr. Zulfiqar. Sarah undertakes processing and export of buffalo meat. The firm has a processing unit in Bijnor, Uttar Pradesh.

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For FY2013-14, Sarah reported profit after tax (PAT) of Rs.1.81 crore on operating income of Rs.94.86 crore, as compared with PAT of Rs.0.75 crore on operating income of Rs.82.40 crore in FY2012-13. The firm's net worth stood at Rs.3.29 crore as on March 31, 2014, as compared with Rs.1.55 crore a year earlier.

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