

August 05, 2015

Facilities	Amount (Rs. Crore)	Rating
Packing Credit	45.00	SMERA A3 (Assigned)
Bank Guarantee	5.00	SMERA A3 (Assigned)

SMERA has assigned a short term rating of '**SMERA A3**' (**read as SMERA A three**) to the Rs.50.00 crore non-fund based bank facility of Eagle Continental Foods Private Limited (ECFPL). The rating is supported by the company's comfortable financial risk profile, efficient working capital and experienced management. However, the rating is constrained by the company's exposure to geographical concentration risk amidst intense competition in the meat processing industry.

ECFPL, established in 1982, is an Uttar Pradesh-based company engaged in the buffalo meat processing business. The company's comfortable financial risk profile is reflected in the low gearing (debt-equity ratio) of 1.16 times (provisional) as on March 31, 2015 and healthy interest coverage ratio of 8.23 times in FY2013-14 (refers to financial year, April 01 to March 31).

The company reported moderate operating profit margin of 2.65 per cent (provisional) in FY2014-15, against 0.88 per cent in FY2014. ECFPL has a comfortable working capital cycle of ~11 days. The company is headed by the promoters, Mr. Shahid Ali Qureshi and Mr. Sajid Ali Qureshi, who have around three decades of experience in the business.

ECFPL is exposed to geographical concentration risk arising from high dependence on orders received from customers in Vietnam that account for a significant portion (~60-70 per cent) of the total operating income. Besides, the company faces intense competition from several players in the meat processing industry.

Outlook: Stable

SMERA believes that ECFPL's outlook will remain stable owing to the extensive experience of the promoter. The outlook may be revised to 'Positive' if ECFPL is able to scale up the operations with improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall gearing or further weakening of profitability margins.

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About the Company

ECFPL, established in 1982, is an Uttar Pradesh-based company engaged in the buffalo meat processing business. The company is promoted by Mr. Shahid Ali Qureshi and Mr. Sajid Ali Qureshi.

ECFPL reported net profit of Rs.1.91 crore on total income of Rs.555.96 crore for FY2013-14, as compared with net profit of Rs.1.09 crore on total income of Rs.291.54 crore in FY2012-13. The company's net worth stood at Rs.7.18 crore as on March 31, 2014, as against Rs.4.87 crore a year earlier. ECFPL registered revenue of ~Rs.551 crore (provisional) in FY2014-15.

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