

Eagle Continental Foods Private Limited- Reaffirmed

| Facilities | Amount (Rs. Crore) | Rating/Outlook |
|------------------------------------|--|------------------------------|
| Term Loan | 3.90 | SMERA BBB-/Stable (Assigned) |
| Packing Credit * | 30.00 (reduced from Rs.45.00 crore) | SMERA A3 (Reaffirmed) |
| Long Term Facilities (Proposed) | 16.10 | SMERA BBB-/Stable (Assigned) |

**includes sublimit of secured overdraft to the extent of Rs.0.75 crore and Foreign Usance Discount Bill Purchase (FUDBP)/ Foreign Discount Bill Purchase (FDBP) to the extent of Rs.5.00 crore*

SMERA has assigned rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) to the 20.00 crore fund based facilities of Eagle Continental Foods Private Limited (ECFPL). Further, SMERA has reaffirmed the rating of **SMERA A3** (**read as SMERA A three**) on the Rs.30.00 crore non-fund based facility. The outlook is '**Stable**'.

The ratings continue to derive comfort from the comfortable financial risk profile and efficient working capital cycle. The ratings also draw support from the experienced management and healthy association of the company with customers and suppliers. However, the ratings are constrained by the geographical concentration risk amidst intense competition in the meat processing industry.

Update

ECFPL reported profit after tax (PAT) of Rs.5.82 crore on operating income of Rs.550.60 crore in FY2014-15 against PAT of Rs.1.91 crore on operating income of Rs.555.96 crore in FY2013-14 (refers to financial year, April 01 to March 31). As per the 12 month estimates of financials for FY2015-16, the company has reported operating income of Rs.521.50 crore. ECFPL's financial profile continues to remain strong evident from the moderate leverage (debt-equity ratio) of 1.21 times in FY2014-15 as compared to 0.79 times in FY2013-14. Further, the debt protection metrics continue to remain healthy evident from the interest coverage ratio of 6.95 times in FY2014-15 against 8.22 times during the previous year.

ECFPL's working capital cycle continues to remain healthy with gross current asset days of 59 in FY2014-15 as against 55 days in FY2013-14. The company benefits from its experienced management. Mr. Shahid Ali Qureshi and Mr. Sajid Ali Qureshi, Directors, have around three decades of experience in the abovementioned line of business. Besides, the company has healthy relations with customers and suppliers.

However, ECFPL is exposed to geographical concentration risk arising from high dependence on orders from Vietnam that accounts for around 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 its promoter. The outlook may be revised to 'Positive' if ECFPL scales up 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.

Rating Sensitivity Factors

- Sustainable improvement in operating income and profitability profile
- Large debt funded capital expansion
- Efficient working capital management

Criteria applied for arriving at ratings

- Manufacturing entities

About the Company

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

ECFPL reported net profit of Rs.5.82 crore on operating income of Rs.550.60 crore for FY2014-15, as compared with net profit of Rs.1.91 crore on total income of Rs.555.96 crore in FY2013-14. As per the estimated financials for 12 months for FY2015-16, the company has reported operating income of Rs.521.50 crore. The net worth stood at Rs.14.15 crore as on March 31, 2015, as against Rs.7.18 crore a year earlier.

Rating History

| Date | Facilities | Amount | Rating | | Outlook |
|--------------|----------------|-------------|-----------|------------------------|---------|
| | | (Rs. Crore) | Long Term | Short Term | |
| 05 Aug, 2015 | Packing Credit | 45.00 | - | SMERA A3 (Assigned) | - |
| | Bank Guarantee | 5.00 | - | SMERA A3 (Assigned) | - |

Contacts:

| Analytical | Business Development |
|--|--|
| Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in | Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in |

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.