

Al-Safa Industries Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	4.00	SMERA B+/Stable (Assigned)
Proposed Long Term Debt	3.00	SMERA B+/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the above mentioned bank facilities of Al-Safa Industries Private Limited. The outlook is '**Stable**'.

The rating is supported by the experienced management and moderate financial risk profile. However, the aforementioned strengths are partially offset by the intense market competition, limited track of operations, trading nature of business and stressed liquidity.

The financial risk profile is below average marked by gearing (debt/equity) of 1.74 times in FY2015-16 (provisional) as compared to 0.89 times in the previous year. The interest coverage ratio has been moderate at 1.45 times in FY2015-16 (Provisional) as against 1.59 times in FY2014-15 and DSCR of 1.34 times in FY2015-16 (Provisional) as compared to 1.44 times a year earlier. The current ratio of the company stands at 1.29 times in FY2015-16 (Provisional) as against 1.52 times in FY2014-15. The operating margin of AISPL stood at 1.00 per cent in FY2015-16 (Provisional) as against 0.81 per cent in FY2014-15. The net profit margin (PAT margin) is low at 0.16 per cent in FY2015-16 (Provisional) as compared to 0.13 per cent in FY2014-15.

However, ASIPL benefits from its experienced management Mr. Sharafat Ali, Mr. Mohd Azeem, and Mr. Dilshad Ahmed, Directors have more than a decades experience in the company's line of business. Further, the company is ably assisted by an experienced second line of management. The company operates in a highly competitive industry dominated by a large number of unorganised players.

Outlook-Stable

SMERA believes that ASIPL will continue to maintain a stable outlook and benefit over the medium term on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if ASIPL reports higher than expected revenues and profitability or prudent working capital management. Conversely, the outlook may be revised to 'Negative', in case of decline in revenue and profitability or in the capital structure on account of larger-than-expected working capital requirements, adversely impacting its financial risk profile.

Rating Sensitivity Factors

- Sustained improvement in the financial risk profile
- Efficient working capital and liquidity management.

Criteria Applied to arrive at the rating

- Trading Entities

About the Company

The Uttar Pradesh-based, ASIPL was incorporated in 2013, by Mr. Sharafat Ali, Mr. Mohd Azeem, and Mr. Dilshad Ahmed. The company trades in raw hides, poultry feed supplements, live animals, mutton tallow to name a few.

The company reported profit after tax (PAT) of Rs.0.10 crore on operating income of Rs.61.08 crore in FY2015-16 (Provisional) as compared to PAT of 0.07 crore on operating income of 58.93 crore a year earlier. The net worth stood at Rs.2.32 crore (Provisional) for FY2015-16 (including quasi equity of Rs.1.12 crore as on March 31, 2016-provisional).

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operation, 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.