

Press Release

Al-Safa Industries Private Limited

25 November 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	SMERA B+ /Stable

*Refer annexure for details

SMERA has reaffirmed the long term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs. 7.00 crore bank facilities of Al-Safa Industries Private Limited (AIPL). The outlook is '**Stable**'.

Al – Safa Industries Private Limited is an Uttar Pradesh-based company incorporated in 2013 by Directors, Mr. Sharafat Ali and Mr. Mohammad Azeem. The promoters have taken over their three sister concerns namely, M/s Al Safa Exports (Partnership Firm) established in 2005, M/s Al Marwah Foods (Proprietorship) established in 2000 and M/s Star Mineral Chemicals & Foods (Partnership Firm) established in 1999 and formed Al-Safa Industries Private limited. The company is engaged in the trading of raw hides, poultry feeds supplements, live animals, mutton tallow, animal fat and livestock etc.

Key rating drivers

Strengths

Experienced management

AIPL was incorporated in 2013 by Mr. Sharafat Ali, Mr. Mohammad Azeem and Mr. Dilshad Ahmed. The Directors have more than a decade of experience in the said line of business.

Average financial risk profile

The financial risk profile of AIPL is average marked by net worth of Rs. 1.64 crore as on 31 March, 2017 as against Rs. 1.17 crore as on 31 March, 2016. The gearing stood at 4.66 times as on 31 March, 2017 and 5.43 times as on 31 March, 2016. The total debt of Rs. 7.63 crore outstanding as on 31 March, 2017 comprises vehicle loan of Rs. 0.19 crore, unsecured loans from directors of Rs. 1.47 crore and working capital borrowing from the bank of Rs. 5.97 crore. The interest coverage ratio stood at 1.79 times in FY2017 as against 1.44 times in FY2016. The DSCR stood at 1.58 times in FY2017 as against 1.36 times in FY2016.

The net cash accruals stood at Rs. 0.31 crore in FY2017 as against Rs. 0.15 crore in FY2016. The NCA/TD stood at 0.04 times in FY2017 as against 0.02 times in FY2016.

Comfortable working capital cycle

The working capital cycle is comfortable at 43 days in FY2017 as against 41 days in FY2016 mainly on account of low inventory holding period of 5 days in FY2017 as against 12 days in FY2016. The debtor days stood at 43 days in FY2017 and 46 days in FY2016. The creditor days stood at 4 in FY2017 and 16 in FY2016. The GCA days are also comfortable at 48 days in FY2017 as against 59 days in FY2016. However, the bank limit utilisation stood at ~92.29 per cent for the last six months ended October 2017.

Weaknesses

Highly regulated and fragmented industry

The company trades in livestock and animal feed. The industry is highly regulated and the company is exposed to organised and unorganised players in the industry resulting in thin profitability margins.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of AIPL to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Outlook – Stable

SMERA believes that the company will continue to benefit over the medium term from its promoters experience in the industry. The outlook may be revised to 'Positive' in case the company is able to register healthy revenues and sustain profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue, profit margins and working capital cycle.

About the Rated Entity – Key Financials

In FY2016-17, the company reported profit after tax (PAT) of Rs.0.22 crore on operating income of Rs.76.95 crore as against net profit of Rs.0.07 crore on operating income of Rs.61.08 crore in the previous year. The tangible net worth stood at Rs. 3.10 crore as on 31 March, 2017 as against Rs. 3.46 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
26-Sep, 2017	Cash Credit	Long Term	4.00	SMERA B+ Issuer not co-operating*
	Proposed long term loan	Long Term	3.00	SMERA B+ Issuer not co-operating*
02-Aug, 2016	Cash Credit	Long Term	4.00	SMERA B+ / Stable (Assigned)
	Proposed long term loan	Long Term	3.00	SMERA B+ / Stable (Assigned)

*The issuer did not co-operate; Based on best available information.

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00 (Enhanced from Rs. 4.00 Cr.)	SMERA B+/Stable (Reaffirmed)
Proposed Long Term loan	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B+/Stable (Reaffirmed)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Namita Palve, Rating Analyst, Tel: +91-22-6714 1111 Email: namita.palve@smera.in	

ABOUT SMERA

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