

Press Release

AI-Safa Industries Private Limited

January 24, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

AIPL 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 Firm) established in 2000 and M/s Star Mineral Chemicals & Foods (Partnership Firm) established in 1999 and formed AI-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.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of AIPL to arrive at the rating.

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.

- **Comfortable working capital operations**

AIPL has efficient working capital operations marked by Gross Current Assets (GCA) of 39 days in FY2018 as against 48 days in FY2017. The inventory holding period stood on the higher side at 22 days in FY2018 as against 5 days in FY2017. The receivable period stood at 16 days in FY2018 as compared to 43 days in FY2017. AIPL gets credit period of up to a week from its suppliers. However, the average bank limit utilisation stood at ~97 percent for the last three months ended December, 2018.

Weaknesses

- **Below average financial risk profile**

The financial risk profile is average marked by low net worth, average debt protection measures and high gearing. The net worth of AIPL stood at Rs.2.23 crore as on 31 March, 2018 as against Rs.1.64 crore as on 31 March, 2017. AIPL has followed an aggressive financial policy as reflected by peak gearing of 5.43 times over the last three years through 2016-18. However, the gearing of the company has improved to 3.98 times as on March 31, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) has also improved to 4.51 times as on 31 March, 2018 as against 5.34 times as on 31 March, 2017. Interest Coverage Ratio (ICR) has improved but remained average at 1.86 times in FY2018 and 1.79 times in FY2017.

- **Highly regulated and fragmented industry**

The company operates in livestock and trading industry, which is highly regulated, fragmented and presence of large unorganised players making the industry competitive, which is reflected in the thin profitability margin of the company.

Liquidity position

AIPL has adequate liquidity marked by average net cash accruals as compared to its maturing debt obligations. AIPL generated cash accruals of Rs.0.15-0.46 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.09-0.06 crore over the same period. The cash accruals of AIPL are estimated to remain around Rs.0.55-0.77 crore during 2019-21, while its repayment obligation is estimated to be around Rs.0.04 crore. AIPL maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2018. The current ratio of AIPL stood moderate at 1.39 times as on March 31, 2018. Acuité believes that the liquidity of AIPL is likely to remain adequate over the medium term on account of no major repayments over the medium term.

Outlook: Stable

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

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	113.10	76.95	61.08
EBITDA	Rs. Cr.	1.34	0.95	0.61
PAT	Rs. Cr.	0.35	0.22	0.07
EBITDA Margin (%)	(%)	1.18	1.24	0.99
PAT Margin (%)	(%)	0.31	0.29	0.11
ROCE (%)	(%)	12.10	10.33	13.89
Total Debt/Tangible Net Worth	Times	3.98	4.66	5.43
PBDIT/Interest	Times	1.86	1.79	1.44
Total Debt/PBDIT	Times	6.64	7.99	10.46
Gross Current Assets (Days)	Days	39	48	59

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-Nov-2017	Cash Credit	Long Term	6.00	ACUITE B+ / Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	1.00	ACUITE B+ / Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE B+ (Indicative)

26-Sep-2017	Proposed Long Term Loan	Long Term	3.00	ACUITE B+ (Indicative)
02-Aug-2016	Cash Credit	Long Term	4.00	ACUITE B+ / Stable (Assigned)
	Proposed Long Term Loan	Long Term	3.00	ACUITE B+ / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B+ / Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Sushmita Murai Analyst - Rating Operations Tel: 022-49294033 sushmita.murai@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.