



Press Release
Al-Safa Industries Private Limited
December 11, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.66	ACUITE B+ Stable Assigned	-
Bank Loan Ratings	9.67	ACUITE B+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	13.33	-	-

Rating Rationale

Acuite has reaffirmed and assigned the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.13.33 Crore bank facilities of Al-safa Industries Private Limited (AIPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating has been reaffirmed on account of narrow margins, below average financial risk profile and high customer concentration risk. Despite improvement in operating income over the years the company's low margins have restricted cash accruals which is affecting liquidity and financial risk profile of the company. Low net cash accruals along with high limit utilization has led to stretched liquidity. Financial risk profile is below average with low net worth and debt protection metrics. Going forward the improvement in Operating income, profitability margins and liquidity position will remain key rating sensitivity factors

About the Company

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 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile 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.

AIPL reported operating income of Rs. 146.27 Cr in FY2023 as against Rs. 98.17Cr in FY2022. EBITDA margin stood at 1.10 % in FY23 in comparison to 1.25% in FY22. Further, Net Profit margin stood at 0.31% in FY2023 as against 0.40% in FY 2022. Company reported EBITDA of Rs 1.61 crore in FY 23 as against Rs 1.22 crore for FY 22 likewise net profit of the company increased to Rs 0.45 crore in FY23 as against Rs 0.39 crore in FY 22.

Company has achieved the operating income of Rs ~100 crore in First half of FY 24 and expected operating income for FY 24 is Rs ~200 crore.

Weaknesses

Financial Risk Profile

AIPL has below average financial risk profile marked by low net worth and low debt protection metrics. AIPL's net worth stood at Rs. 3.80 Cr as on 31st March 2023 as against Rs. 3.45 Cr as on 31st March 2022. Gearing levels (debt-to-equity) stood at 3.68 times as on March 31, 2023 as against 3.05 in FY 2022 and Total outside liabilities to total net worth (TOL/TNW) stood at 3.72 times as on FY2023 vis-à-vis 3.12 times as on FY2022. Further, Debt-EBITA stood at 8.68 times as on 31st March 2023 as against 8.60 times as on 31st March 2022. The coverage indicators of the company stood low as interest coverage ratio stood at 1.63 times for FY2023 as against 1.53 times in FY2022 and Debt service coverage ratio stood at 0.90 times in FY2023 as compared to 3.12 times in FY2022.

Working capital operations

AIPL has moderate working capital requirements as evident from gross current assets (GCA) of 45 days in FY2023 as compared to 53 days in FY2022. Debtor days stood at 26 days in FY2023 as against 18 days in FY2022. Inventory days have decreased to 15 days in FY2023 as against 23 days in FY2022. Working capital limits utilization stood at ~98 per cent during the last twelve months ended August 2023. Further, the current ratio of AIPL stood at 1.49 times as on March 31, 2023.

Highly regulated and fragmented industry

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

Customer concentration Risk

company has customer concentration risk as approx. one third of total operating income is from one customer although the long relationship with customer (more than eight years) reduces the risk to the some extent.

Rating Sensitivities

Company's ability to improve the Operating income and margin
Company's ability to improve the liquidity

All Covenants

Not applicable

Liquidity Position Stretched

AIPL has stretched liquidity marked by low net cash accruals to its maturing debt obligations, high utilization of Working capital limits and low cash and Bank Balances. Company generated cash accruals of Rs. 0.47 crore for FY2023 as against Rs. ~0.62 crore of repayment obligations for the same period. Company took additional USL of Rs 0.21 crore in FY 23 coupled to this loans and advances given by company reduced to Rs 0.06 crore in FY 23 as against Rs 0.56 crore in FY 23. Current Ratio stood at 1.49 times as on 31 March 2023 as against 1.75 times in the previous year. The working capital limits are utilized at ~98 per cent during the last twelve months ended August 23. Therefore, firm has stretched liquidity to meets its requirements.

Outlook:Stable

Acuite 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 improved profitability. Conversely, the outlook will be revised to 'Negative' in case of decline in the company's revenue and profit margins and working capital cycle.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	146.27	98.17
PAT	Rs. Cr.	0.45	0.39
PAT Margin	(%)	0.31	0.40
Total Debt/Tangible Net Worth	Times	3.68	3.05
PBDIT/Interest	Times	1.63	1.53

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Sep 2022	Cash Credit	Long Term	7.50	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	0.44	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	1.49	ACUITE B+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.24	ACUITE B+ Stable (Reaffirmed)
28 Jun 2021	Term Loan	Long Term	1.49	ACUITE B+ Stable (Assigned)
	Proposed Bank Facility	Long Term	0.24	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	0.44	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	7.50	ACUITE B+ Stable (Reaffirmed)
26 Jun 2020	Cash Credit	Long Term	7.50	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	0.67	ACUITE B+ Stable (Assigned)
06 May 2020	Cash Credit	Long Term	7.50	ACUITE B+ (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.67	ACUITE B+ Stable Reaffirmed
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.66	ACUITE B+ Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.98	ACUITE B+ Stable Reaffirmed
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.46	ACUITE B+ Stable Reaffirmed
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.56	ACUITE B+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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