

Press Release

Swad Agro Cold Chain Private Limited (SACCPL)

28 February, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.7.30Cr.
Long Term Rating	SMERA B+/Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of **'SMERA B+' (read as SMERA B plus)** on the Rs.7.30 crore bank facilities of Swad Agro Cold Chain Private Limited. The outlook is **'Stable'**.

Swad Agro Cold Chain Private Limited (SACCPL) incorporated in 2015 is a Mumbai-based company promoted by Mr. Parvez Qureshi. The company is setting up a mechanised meat processing unit at Palghar, Maharashtra with total installed capacity of 2500 sheep/goats per day. The total project cost is Rs.12.75 crore funded through bank loan of Rs.6.80 crore, promoter's equity and unsecured loan of Rs.5.45 crore. The project is in completion stage and is expected to start commercial operations from April, 2018.

Key rating drivers

Strengths

Experienced promoters: The company is promoted by Mr. Parvez Iqbal Qureshi who has experience of more than three decades in the meat trading industry. Mr. Parvez Qureshi is a Director in Barkat Exports Private Limited (BEPL), a group company engaged in the trading and export of meat for the last 25 years. The company has established relations with its overseas customers for more than two decades.

Established brand name of the group: SACCPL has an off-take arrangement wherein 100 percent of its production will be sold to Barkat Exports Private Limited (BEPL), its group company, for export. BEPL has established relations with its overseas customers for more than two decades resulting in repeat orders. The company is a One Star Export Trading House and exports mainly to Middle East countries such as UAE, Saudi Arabia and Oman. The company does the packaging and branding of the meat and sells the same under the Barkat brand name. Going forward, the company plans to tap the market in Indonesia.

Weaknesses

Delays in project implementation: SACCPL is setting-up a mechanised meat processing unit with capacity of around 2500 goat and sheep per day. The total project cost is Rs. 12.75 crore funded by way of term loan of Rs.6.80 crore, share capital of Rs.2.50 crore and interest free unsecured loan of Rs.2.95 crore (which will be subordinate to bank debt). The financial closure has been achieved for the project and the bank has disbursed term loan to the extent of Rs.6.70 crore as on date, thereby mitigating the funding risk. The project is in final stages of completion and currently trial runs are underway. Commercial operations were scheduled to commence from April 2017. However, the project was delayed by a year due to delays in approvals from Maharashtra Pollution Control Board. As of now, the project is expected to start commercial operations from April, 2018.

Regulatory and event risk: The import of meat products by many countries is subject to regulatory approvals. Besides, changes in trade policies of the importing countries may have a bearing on the company. Further, the operations and profitability are also exposed to risks such as outbreak of diseases too.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SACCPL.

Outlook: Stable

SMERA believes the outlook of SACCPL will remain Stable owing to its experienced promoters and group company support. The outlook may be revised to 'Positive' if the company stabilises operations as scheduled, leading to healthy cash inflows and improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and net cash accruals leading to deterioration in the financial risk profile, particularly liquidity.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	-	-	-
EBITDA	Rs. Cr.	-	-	-
PAT	Rs. Cr.	-	-	-
EBITDA Margin	(%)	-	-	-
PAT Margin	(%)	-	-	-
ROCE	(%)	-0.06	-	-
Total Debt/Tangible Net Worth	Times	1.28	-	-
PBDIT/Interest	Times	-	-	-
Total Debt/PBDIT	Times	6263.58	-	-
Gross Current Assets (Days)	Days	-	-	-

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
09-Dec, 2016	Cash Credit	Long Term	0.50	SMERA B+/Stable (Assigned)
	Term Loan	Long Term	6.80	SMERA B+/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA B+/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.80	SMERA B+/Stable (Reaffirmed)

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ABOUT SMERA

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