

Press Release

Maharashtra Food Processing And Cold Storage

March 03, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 14.75 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 14.75 crore bank facilities of Maharashtra Food Processing And Cold Storage. The outlook is '**Stable**'.

Maharashtra Food Processing and Cold Storage (MFPCS), a Navi Mumbai-based partnership firm, was established in 2011 by Mr. Matlub Qureshi and partners. The firm is engaged in the manufacture of raw processed halal boneless buffalo meat. The firm has an integrated processing plant at Phaltan, Maharashtra with installed capacity of 100 MT per day. The final product - buffalo meat, is exported to Vietnam, Jordan, China, Egypt and others. The installation of plant and machinery began in October 2014 and was completed in December 2015. The commercial production started from December 2015. The total cost of the project was approximately Rs.40 crore funded through promoters' contribution.

Key Rating Drivers

Strengths

- **Experienced promoters**

MFPCS is led by Mr. Sunny Khattar, Mr. Matlub Qureshi and other partners who possess experience of over a decade in the aforementioned line of business.

- **Integrated facility of abattoir and buffalo meat processing**

The firm constructed its own integrated slaughter house in FY2015-16 to produce hygienically prepared meat.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by low gearing of 0.36 times in FY2015-16. The operating margins stood at 8.16 per cent in FY2015-16. Further, the firm has low net profit margin of 0.02 per cent in FY2015-16. The coverage ratio stood at 3.56 times for FY2015-16. The net worth of the firm stood at Rs.25.27 cr as on March 31, 2016 which includes unsecured loans from promoters and family members of Rs.11.50 cr.

Weaknesses

- **Exposed to risks related to changes in the economic conditions of export countries**

The firm is engaged in the processing of fresh and frozen boneless halal buffalo meat and exporting the same to Vietnam, Jordan, Egypt, China and other countries. Thus, it exposes itself to the changing economic conditions overseas. Any slowdown in these countries may adversely impact the flow of orders.

- **Exposed to foreign exchange rate fluctuation risk**

The firm exports its products to Vietnam, Jordan, Egypt, China and African and Middle Eastern countries and receives the entire sale in US Dollars. As a result it is prone to foreign exchange fluctuation risk. However, this risk is offset by hedging policies.

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that MFPCS will maintain a stable outlook on the back of its experienced management. The outlook may be revised to Positive in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to Negative in case of significant decline in revenues and/or deterioration of debt protection metrics on the back of higher than expected debt-funded capex requirements.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported PAT (profit after tax) of Rs.0.01 cr on operating income of Rs.32.57 cr. The net worth stood at Rs.25.29 cr as on March 31, 2016 which includes unsecured loans from promoters and family members of Rs.11.50 cr.

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

None

Any other information

None

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>

Rating History (Upto last three years)

Not Applicable

***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	1.25	SMERA BB / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	13.50	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in

Sudarshan Ansingkar Rating Analyst Tel: 080-46634613 sudarshan.ansingkar@smera.in	
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ABOUT SMERA

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