

Press Release

Maharashtra Food Processing and Cold Storage

July 02, 2018

Rating Upgraded



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

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating of '**ACUITE BB+**' (read as **ACUITE BB plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE 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 (MFCS), a Navi Mumbai-based partnership firm, was established in 2014 by Mr. Sunny Khattar and partners. The firm is engaged in processing of raw halal boneless buffalo meat. The firm has an integrated processing plant located at Phaltan, Maharashtra with an installed capacity of slaughtering 1000 buffaloes per day and licensed utilisation is 60 percent. The firm purchases raw material, live animals, from local and domestic markets. The final product, buffalo meat, is exported to countries like Vietnam, Jordan, China, Egypt and other African and Middle Eastern countries.

Key Rating Drivers

Strengths

- **Experienced promoters:**

MFCS is headed by Mr. Sunny Khattar and Partners. Partners of the firm possess an experience of more than a decade in the firm's line of business.

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

The firm constructed its own integrated slaughter house in FY2015-16. The purpose of this abattoir is to produce hygienically prepared meat by the humane handling of animals using hygienic techniques for slaughtering and dressing aided by a clear separation of clean and unclean areas of operations. At the same time the abattoir will also facilitate that proper meat inspection can be carried out and the resulting waste materials are suitably handled to remove any potential danger of meat born infections reaching the Public or contaminating the environment.

- **Moderate Financial risk profile:**

Moderate financial risk profile of the firm is marked by low gearing of 1.86 times in FY2017-18 (Prov.). The operating margin of the firm stood at 1.74 per cent in FY2017-18 (Prov.) as compared to 1.99 percent in FY2016-17. Further the firm has low net profit margin of 0.45 per cent in FY2017-18 (Prov.) as compared to FY2016-17. The coverage ratio of the firm stood at 4.17 times for FY2017-18 (Prov.) as compared to 4.75 times in FY2016-17. The net worth of the firm stood at Rs. 17.38 crore as on March 31 2018 (Prov.) and Rs. 14.98 crore as on March 31 2017.

Weaknesses

- **Exposed to risk related with fluctuations in the economic conditions of export countries:**

The firm is in the processing of Fresh and Frozen Boneless Halal Buffalo Meat and is exporting the same to Vietnam Jordan Egypt China and African and Middle Eastern Countries and thereby exposing it to the risk related to economic conditions of the export countries. Any slowdown in the economic conditions of these countries may adversely impact the orders inflow of the firm.

- **Exposed to foreign fluctuation risk:**

The firm exports all products to Vietnam Jordan Egypt China and African and Middle Eastern

Countries and receives the entire sale in US Dollars. The company is prone to foreign exchange risk. However this risk is offset by hedging policies used by the firm.

• **Exposed to diseases and regulatory risks:**

The firm is exposed to risks related to animal diseases that can harm the health of the animals and cause the expenses of the firm to increase either for the medication or for buying more animals. The firm's manufacturing plant is located in Maharashtra. Hence the firm is exposed to regulatory risks from state government due to ban on selling buffalo and cow meat in Maharashtra.

Analytical Approach

Acuite has considered standalone financial and business risk profile of MFPCS to arrive at the rating.

Outlook: Stable

Acuite believes that MFCS will maintain a stable outlook on the back of the 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 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

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	391.77	275.58	32.57
EBITDA	Rs. Cr.	6.82	5.49	2.66
PAT	Rs. Cr.	1.77	0.61	0.01
EBITDA Margin	(%)	1.74	1.99	8.16
PAT Margin	(%)	0.45	0.22	0.02
ROCE	(%)	7.37	4.60	3.19
Total Debt/Tangible Net Worth	Times	0.62	0.52	0.27
PBDIT/Interest	Times	4.17	4.75	3.97
Total Debt/PBDIT	Times	2.77	2.63	2.74
Gross Current Assets (Days)	Days	94	93	177

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

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
20-Apr-2018	Cash Credit	Long Term	INR 1.25	ACUITE BB
	Packing Credit	Short Term	INR 13.5	ACUITE A4+
03-Mar-2017	Cash Credit	Long Term	INR 1.25	ACUITE BB / Stable

	Packing Credit	Short Term	INR 13.5	ACUITE A4+
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***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	1.25	ACUITE BB+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE A4+

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About Acuité Ratings & Research:

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