

Press Release

International Agro Foods

April 07, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) on the Rs. 10.00 crore bank facilities of International Agro Foods. The outlook is '**Stable**'.

International Agro Foods (IAF) was established in 2006 by Mr. Mohd. Yasin Qureshi, Mr. Mohd. Javed Qureshi and Mr. Mohd. Parvez Qureshi to process and export halal meat and meat products. The commercial operations commenced in 2013. In April, 2015, the firm set up its own slaughter house at Ghaziabad, Uttar Pradesh.

Key Rating Drivers

Strengths

- Experienced management and moderate track record of operations**

IAF was established in 2006. Mr. Mohammad Yasin Quereshi, Mr. Mohammad Javed Quereshi and Mr. Parvez Quereshi, the partners possess extensive experience in the aforementioned business.

- Growth in revenues and profitability margins**

The operating income stood at Rs.235.65 cr in FY2015-16 as compared to Rs.13.35 cr in FY2014-15. The operating margin stood at 8.17 percent in FY2015-16 as compared to 4.29 percent in FY2014-15. The PAT margin stood at 4.01 percent in FY2015-16 as compared to 1.35 percent in FY2014-15 owing to growth in revenues and profitability margins. The firm has reported revenue of around Rs. 400 crore from April 2016 to ~Feb 24, 2017.

- Healthy coverage indicators**

IAF registered healthy coverage indicators in FY2015-16. The Interest coverage ratio stood at 8.85 times in FY2015-16 as compared to 12.31 times in FY2014-15. The Debt Service coverage ratio stood at 8.85 times in FY2015-16 as compared to 12.31 times in FY2014-15.

Weaknesses

- Geographic concentration risk**

The firm generates around 90 per cent sales from Haiphong, Vietnam as on March 31, 2016. IAF has also begun selling in Egypt, a large market for buffalo meat, that constitutes ~30 per cent of its total sales as on March 31, 2017. Going ahead, the firm plans to further increase exports to Egypt and other countries to reduce geographic concentration risk.

- Foreign exchange fluctuation risk**

Since the firm is mainly into exports, the profitability margins are susceptible to fluctuations in forex rates.

- Risk related to outbreak of diseases**

The firm is exposed to risks related to outbreak of animal diseases (buffalo).

Analytical Approach

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

Outlook: Stable

SMERA believes that IAF will maintain a stable outlook and benefit over the medium term from the promoters' extensive experience in the said line of business. The outlook may be revised to 'Positive' in case of better-than-expected scale of operations and profitability along with efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of considerable decline in revenue, profitability or working capital management.

About the Rated Entity - Key Financials

For FY2015-16, the company reported PAT of Rs.9.45 cr on operating income of Rs.235.65 cr, as compared with PAT of Rs.0.18 cr on operating income of Rs.13.35 cr in FY2014-15. The net worth stood at Rs.15.59 cr as on March 31, 2016 against Rs.5.75 cr a year earlier.

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. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BB+ / Stable

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
Aakash Madia Rating Analyst Tel: 022-67141213	

aakash.madia@smera.in	
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ABOUT SMERA

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