



Press Release
Ali Afzal Flour Mill Limited
February 27, 2024

Rating Assigned Upgraded and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.78	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	13.40	ACUITE BB- Stable Upgraded	-
Bank Loan Ratings	5.00	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	33.18	-	-
Total Withdrawn Quantum (Rs. Cr)	5.00	-	-

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.19.78 crore bank facilities of Ali Afzal Flour Mill Limited (AAFLM). The outlook is 'Stable'. Acuite has upgraded long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.13.40 crore bank facilities of Ali Afzal Flour Mill Limited (AAFLM). The outlook remains 'Stable'. Acuite has withdrawn the long-term on the Rs.5.00 crore bank facilities of Ali Afzal Flour Mill Limited (AAFLM). The rating has been withdrawn on account of the request received from the company as per Acuite policy on withdrawal of rating and NDC received from the banker.

Rationale for Upgrade

The rating upgrade takes into cognizance the sound business risk profile of the company majorly driven by improvement in the company's revenue which increased to Rs 146.81 Cr in FY2023 as against Rs 102.79 Cr. in FY2022, thereby registering an y-o-y growth of 14.03%. Further, the company has achieved revenues of around Rs.103.38 Cr. till nine months ended December 2023(Provisional). The increase in revenue in FY2023 is attributed to the premium quality of wheat products leading to better realisation compared to previous year. However, the margins had moderated to 3.72% in FY2023 from 5.01% in FY2022, since the Company faced competitive challenges in the agriculture segment.

The rating also factors in the adequate liquidity position of the company as reflected in sufficient net cash accruals expected to meet the term debt obligations, flexibility of the promoters to bring in unsecured loans in the business and moderate current ratio. The rating also draws comfort from the established track record of operations and experienced management.

However, these strengths are partially offset by below average financial risk profile marked by modest capital structure and debt protection metrics and vulnerability to governmental rules and agroclimatic risk and intense competition in the agriculture business.

About the Company

Incorporated in 2005 Ali Afzal Flour Mill Limited (AAFML) is a Uttar Pradesh-based company promoted by Mr. Abdul Mannan (Managing Director), Mrs. Nazmeen Akhtar (Director) and

Mr. Mohd. Monis (Director) having an experience of over a decade in the flour mill industry. The Company is engaged in flour milling for converting wheat into wheat products like maida, sooji, atta and bran.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AAFML to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management.

The company is promoted by Mr. Abdul Mannan (Managing Director), Mrs. Nazmeen Akhtar (Director) and Mr. Mohd Monis (Director) having over two decades of experience in the flour milling industry. This has resulted into healthy relationship with suppliers and repetitive orders from its customers. It has also established operational track record of more than two decades.

Steady scale of operations

The company's revenue increased to Rs 146.81 Cr in FY2023 as against Rs 102.79 Cr in FY2022, thereby registering an y-o-y growth of 14.03%. Further, the company has achieved revenues of around Rs.103.38 Cr till nine months ended December 2023 as per YTD. The increase in revenue in FY2023 can be attributed to the improved quality of wheat produced compared to last year and increase in production, as well as the absence of any crises such as heavy rainfall and tornadoes this year.

All supply orders are either directly from the traders or through brokers or Arhati, as the company offers its products to local customers as well as through brokers and Arhati. Orders obtained from the parties via the methods must be fulfilled within the allotted time.

Weaknesses

Below average financial risk profile

The financial risk profile of the company is marked by a small net worth, high gearing and moderate debt protection metrics. The tangible net worth of the company stood at Rs.9.41 Cr. as on FY2023 as compared to Rs.8.92 Cr. as on FY2022 due to modest accretion to reserves. The gearing of the company stood high at 2.07 times as on FY2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.67 times as on FY2023. The debt protection metrics of the company remain modest marked by Interest coverage ratio (ICR) of 2.71 times and debt service coverage ratio (DSCR) of 1.14 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.17 times in FY2023.

Going forward, Acuité believes that the financial risk profile will remain below average over the medium term, supported by small but steady accrual, high gearing and modest debt protection metrics.

Vulnerability to governmental rules and agroclimatic risk

The primary ingredient used to make sooji, maida, and aata is wheat. Agroclimatic conditions are the primary determinant of wheat production. Any unfavourable shift in the agroclimatic conditions could cause the supply chain for wheat to break. Furthermore, the government's strict regulation of wheat prices through the Minimum Support Price (MSP) could put pressure on AAFML's profitability. The Company also faces competition from both the organised and unorganised business in this industry which tends to put pressure on the margins of the Company

Rating Sensitivities

- Growth in revenue along with improvement in profitability margins
- Elongation in working capital cycle

Liquidity Position

Adequate

The company has adequate liquidity marked by net cash accruals of Rs 3.24 Cr. as on FY2023 as against long term debt of Rs. 2.61 Cr. over the same period. The cash and bank balance stood at Rs. 0.01 Cr. for FY 2023. Further, the current ratio of the company stood at 1.28 times in FY2023. The working capital cycle of the company is marked by Gross Current Assets (GCA) of 51 days for FY2023 as compared to 63 days for FY2022. The bank limit of the company has been ~89.67 percent utilized for the last six months ended in December 2023. The management has financial flexibility to bring in the funds in the business. As on March 31, 2023, the unsecured loan in the business were at Rs. 3.12 Cr. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of low but steady cash accruals, term debt repayments and financial flexibility of promoters to bring in funds in business over the medium term.

Outlook: Stable

Acuité believes that the outlook on AAFML will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and improvement in the operating income. The outlook may be revised to 'Positive' in case of significant growth in revenue or profit margins from the current levels or improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or profitability margins, deterioration in financial risk profile or elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	146.81	102.79
PAT	Rs. Cr.	0.49	0.23
PAT Margin	(%)	0.33	0.22
Total Debt/Tangible Net Worth	Times	2.07	2.32
PBDIT/Interest	Times	2.71	2.77

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
22 May 2023	Cash Credit	Long Term	5.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	13.40	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
23 Feb 2022	Proposed Long Term Bank Facility	Long Term	13.40	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	5.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)

Rating History :

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.84	ACUITE BB- Stable Upgraded (from ACUITE B+)
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	Not Applicable Withdrawn
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.16	ACUITE BB- Stable Assigned
Indian Bank	Not avl. / Not appl.	Covid Emergency Line.	08 Jul 2022	Not avl. / Not appl.	08 Dec 2026	Simple	2.68	ACUITE BB- Stable Upgraded (from ACUITE B+)
Indian Bank	Not avl. / Not appl.	Covid Emergency Line.	31 Jul 2020	Not avl. / Not appl.	31 May 2024	Simple	0.63	ACUITE BB- Stable Upgraded (from ACUITE B+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.62	ACUITE BB- Stable Assigned
Indian Bank	Not avl. / Not appl.	Term Loan	05 Sep 2018	Not avl. / Not appl.	05 Jul 2025	Simple	3.25	ACUITE BB- Stable Upgraded (from ACUITE B+)

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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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