

Press Release

Mun Agro Industries Private Limited

July 26, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 12.00 crore bank facilities of Mun Agro Industries Private Limited. The outlook is '**Stable**'.

M.U.N. Agro Industries Private Limited (MAIPL) was established in 2013 by Mr. Mohammed Umar Nagani, Mr. Mohammed Zubair Nagani and Mr. Mohammed Sufiyan Nagani. The company has fully integrated its unit with slaughtering, processing and frozen storage facilities for sheep and goat meat. The company exports to gulf countries like Oman, UAE, Kuwait and Qatar. The company has an approved capacity of 2000 animals per day by APEDA, while it is utilising about 1300-1400 animals per day. The company has received APEDA certification, HALAL registration, FSSAI certification. The slaughter house is accredited by NSIC, while it is also approved by Defense Food System as the company sells meat to three commands at Northern, Central and Southern i.e 20 stations.

Key Rating Drivers

Strengths

- **Experienced management**

The Directors of the company possess an experience of more than two decades in this line of business. The promoters also promote MUN Group which is engaged in export of meat and sea food products. Acuite believes that MAIPL will benefit from its established position in the said business, experienced management and established relationships with customers and suppliers.

- **Comfortable working capital cycle**

MAIPL has comfortable working capital operations marked by Gross Current Assets (GCA) of 43 days in FY2018 compared to 26 days in FY2017. The GCA days are mainly dominated by debtor days of 21 days in FY2018 compared to 19 days in FY2017.

Weaknesses

- **Nascent stage of operation**

MAIPL commenced operations in December 2016 and booked a revenue of Rs.8.59 crore during FY2016-17. The company also faces intense competition in the meat and meat products segment which is marked by the presence of several small and large players.

- **Average financial risk profile**

MAIPL has an average financial risk profile marked by tangible net worth of Rs.2.03 crore as on 31 March, 2018 as against Rs.3.67 crore as on 31 March, 2017. Gearing (debt-equity) stood at 7.99 times as on 31 March, 2018 as against 4.17 times as on 31 March, 2017. The debt as on 31 March, 2018 stood at Rs.16.25 crore comprises term loans of Rs.10.71 crore, unsecured loans from promoters of Rs.5.54 crore. Interest Coverage Ratio (ICR) stood at 2.02 times for FY2018 as against (0.22) times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.04 times for FY2018 as against (0.07) times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times as on 31 March, 2018 as against (0.10) times as on 31 March, 2017. Going forward, Acuite expects the financial risk profile to improve marginally in absence of major debt funded capex plans.

• **Exposed to foreign exchange fluctuation risk**

The company exports 80.00 percent of its products to Middle Eastern Countries and receives sales in US Dollars. The company is prone to foreign exchange risk. However, this risk is offset by hedging policies used by the company.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of MUN Agro Industries Private Limited to arrive at the rating.

Outlook: Stable

Acuite believes that MAIPL will maintain a 'Stable' business risk profile over the medium term as it will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenues or profit margins, or in case of deterioration in financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	45.17	8.59	0.00
EBITDA	Rs. Cr.	2.05	-0.13	0.00
PAT	Rs. Cr.	-1.73	-1.79	0.02
EBITDA Margin	(%)	4.55	-1.51	0.00
PAT Margin	(%)	-3.82	-20.83	0.00
ROCE	(%)	-4.80	-8.50	1.67
Total Debt/Tangible Net Worth	Times	7.99	4.17	2.40
PBDIT/Interest	Times	2.02	-0.22	1.45
Total Debt/PBDIT	Times	7.19	-152.80	82.56
Gross Current Assets (Days)	Days	43	77	0

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	7.57	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.05	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.19	ACUITE B+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.19	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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