



Press Release

Hamd Foods Private Limited

October 19, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 6.00 crore bank facilities of HAMD FOODS PRIVATE LIMITED (HAMD).

HAMD was incorporated in 2005 at Ghaziabad (Uttar Pradesh). HAMD is managed by Mr. Mohammad Haris and Mr. Mohammad Asad (Directors). HAMD is engaged in manufacturing and exporting of frozen beef meat.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

HAMD was incorporated in 2005 by Mr. Mohammad Sadir, the father of both the Directors, who has more than four decades of experience in the business of meat processing and supply. Under his leadership, HAMD has been able to forge healthy relationships with customers and suppliers over the years. Currently, HAMD is being managed by Mr. Mohammad Haris, who has experience of more than fifteen years and Mr. Mohammad Asad, who joined the business in 2008.

Acuite believes that HAMD will continue to benefit from the experienced management and established customer relationships over the medium term.

• Average financial risk profile

The financial risk profile of HAMD is average marked by tangible net worth of Rs.4.69 crore as on 31 March, 2018 (Provisional) as compared to Rs.4.50 crore in FY2017. The total debt of Rs.7.01 crore outstanding as on 31 March, 2018 (Provisional) consists of term loan from bank of Rs.0.76 crore and working capital borrowing from the bank of Rs.6.25 crore. The gearing has reduced to 1.49 times as on 31 March, 2018 (Provisional) as compared to 1.89 times as on 31 March, 2017. Interest Coverage Ratio (ICR) has slightly improved to 2.25 times in FY2018 (Provisional) as against 2.01 times in FY2017. DSCR has remained stable at 1.54 times in FY2017 as compared to 1.55 times in FY2017. The net cash accruals have reduced to Rs.1.02 crore in FY2018 (Provisional) as compared to Rs.1.31 crore in FY2017. The NCA/TD ratio has remained stable at 0.15 times in FY2018 (Provisional) as well as in FY2017.

Acuite believes that HAMD will improve its financial risk profile backed by healthy accruals over the near to medium term.

Weaknesses

• Decline in revenue Y-o-Y

HAMD has witnessed decline in revenue Y-o-Y marked by operating income of Rs.14.90 crore in FY2018 (Provisional) as against Rs.80.08 crore in FY2017 and Rs.120.10 crore in FY2016. HAMD's business operations suffered due to demonetization. However, HAMD has recorded revenue of Rs.20.00 crore as on 31 August, 2019.

Acuite believes the ability of HAMD to stabilise business operations and scale up revenue in the medium term will be factors of key rating sensitivity.

• Working capital intensive operations

The operations of HAMD are working capital intensive marked by Gross Current Asset (GCA) days of 291 in FY2018 (Provisional). This is majorly on account of accumulated inventory at the year-end for pending orders. The receivables period also increased to 99 days in FY2018 (Provisional) as compared to 55 in FY2017. HAMD gets ~15 days of credit period from suppliers.

Acuite believes that the ability of HAMD to maintain sufficient funds for the working capital requirement will be key rating sensitivity.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	14.90	80.08	120.10
EBITDA	Rs. Cr.	1.61	2.59	2.09
PAT	Rs. Cr.	0.19	0.21	0.38
EBITDA Margin	(%)	10.81	3.23	1.74
PAT Margin	(%)	1.25	0.26	0.32
ROCE	(%)	8.63	12.01	16.09
Total Debt/Tangible Net Worth	Times	1.49	1.89	2.68
PBDIT/Interest	Times	2.25	2.01	2.31
Total Debt/PBDIT	Times	3.74	3.02	5.25
Gross Current Assets (Days)	Days	291	64	67

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

India Ratings and Research in its press release dated March 22, 2018 had inter-alia mentioned the following: 'India Ratings and Research (Ind-Ra) has migrated Hamd Foods Private Limited's (HFPL) Long-Term Issuer Rating to the non-cooperating category. The issuer did not participate in the rating exercise despite continuous requests and follow-ups by the agency. Therefore, investors and other users are advised to take appropriate caution while using the rating. The rating will now appear as 'IND BB (ISSUER NOT COOPERATING)' on the agency's website'.

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
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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