

Press Release

Hamd Foods Private Limited

May 07, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on 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 Directors, Mr. Mohammad Haris and Mr. Mohammad Asad. HAMD is engaged in manufacturing and exporting of frozen beef meat majorly to UAE.

Analytical Approach

Acuité 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 current 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 has experience of over a decade.

Acuité believes that HAMD will continue to benefit from 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. 6.99 crore as on 31 March, 2019 (Provisional) as compared to Rs. 3.22 crore in FY2018. The total debt of Rs.8.74 crore outstanding as on 31 March, 2019 (Provisional) consists of term loan from bank of Rs. 0.42 crore and working capital borrowing from the bank of Rs. 8.08 crore. The gearing has reduced to 1.25 times as on 31 March, 2019 (Provisional) as compared to 2.26 times as on 31 March, 2018. Interest Coverage Ratio has also improved to 7.83 times in FY2019 (Provisional) as against 1.05 times in FY2018. DSCR has improved to 4.54 times in FY2019 (Provisional) as compared to 0.78 times in FY2018. The net cash accruals have increased to Rs.4.77 crore in FY2019 (Provisional) as compared to Rs. 0.07 crore in FY2018. The NCA/TD ratio has improved to 0.55 times in FY2019 (Provisional) as compared to 0.01 times in FY2018.

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

Weaknesses

• Uneven revenue trend

HAMD has uneven trend in turnover marked by operating income of Rs.21.12 crore in FY2018 as against Rs. 80.08 crore in FY2017 and Rs. 120.10 crore in FY2016. HAMD's business operations suffered

due to demonetisation. However, HAMD has recorded revenue of Rs.79.18 crore in FY2019 (Provisional).

Acuite believes that 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 mildly working capital intensive marked by Gross Current Asset (GCA) days of 64 in FY2019 (Provisional) as compared to 101 in FY2018. This is majorly on account of accumulated inventory at the year-end which was for pending orders. The receivables period has reduced to 19 days in FY2019 (Provisional) as compared to 80 days in FY2018. 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.

Liquidity Position:

HAMD has average liquidity marked by improving net cash accruals against small maturing debt obligations. HAMD generated cash accruals of Rs.0.07-4.77 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs. 0.18-0.38 crore over the same period. The cash accruals of HAMD are estimated to remain around Rs.5.60-7.01 crore during 2019-21, while its repayment obligations are estimated to be around Rs. 0.10-0.13 crore. The cash credit limit in HAMD remains utilised at ~95 percent during the last 6 months period ended March 2019. HAMD maintained unencumbered cash and bank balances of Rs.0.05 crore as on March 31, 2019 (Provisional). The current ratio of HAMD stood average at 1.06 times as on March 31, 2019 (Provisional).

Acuite believes that the liquidity of HAMD is likely to remain average over the medium term on account of improving cash accruals and no major repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	79.18	21.12	80.08
EBITDA	Rs. Cr.	6.72	0.99	2.59
PAT	Rs. Cr.	3.77	-1.20	0.21
EBITDA Margin	(%)	8.49	4.67	3.23
PAT Margin	(%)	4.77	-5.69	0.26
ROCE	(%)	45.17	-2.11	12.01
Total Debt/Tangible Net Worth	Times	1.25	2.26	1.89
PBDIT/Interest	Times	7.83	1.05	2.01
Total Debt/PBDIT	Times	1.29	7.07	3.02
Gross Current Assets (Days)	Days	64	101	64

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

Not applicable.

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Oct-2018	Packing Credit	Short Term	6.00	ACUITE A4 (Assigned)

*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 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Sushmita Murai Analyst - Rating Operations Tel: 022-49294033 sushmita.murai@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

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