



Press Release
RUSTAM FOODS PRIVATE LIMITED
August 08, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	208.88	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	27.12	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	236.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to '**ACUITE BBB**' (read as **ACUITE t riple B**) and its short-term rating to '**ACUITE A3+**' (read as **ACUI TE A three plus**) on the Rs. 236.00 Cr. bank facilities of Rustam Foods Private Limited (RFPL). The outlook is '**Stable**'.

Rationale for rating

The rating takes into account the long track record of operations of the company of more than 15 years along with extensive experience of the promoters. Further, the rating also factors in the strategic location of the plant and above average financial risk profile of the company. The rating also draws comfort from the efficient working capital operations which is also reflected through the moderate reliance on short term bank finance with an average utilization of 86% for last 6 months ended June 2024. These strengths are however, partly offset by thin profitability margins, inherent risk associated with the meat industry being a highly competitive and fragmented industry. Acuite notes that the company hedges against the foreign exchange risk by entering into forward contracts.

About the Company

Incorporated in 2006, Rustam Foods Private Limited (RFPL) is an Unnao, Uttar Pradesh based company, promoted by Mr. Mohammad Saleem and Mrs. Shahin Mohammed Salim Qureshi. The company is a DGFT certified three-star export house and is engaged in processing of frozen boneless buffalo meat. The company has an APEDA registered Modern Integrated Abattoir cum Meat Processing Plant in Uttar Pradesh.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of RFPL while arriving at the rating.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

RFPL has a long operational track record of more than 15 years in the meat processing industry. Further, the promoter, Mr. Mohammad Saleem has extensive experience spanning over three decades in the meat industry. The company is a DGFT-certified three-star export house and is engaged in the processing of frozen boneless buffalo meat.

Acuite believes that the company's long track record of operations and the promoter's extensive understanding and expertise will benefit the company going forward, resulting in steady growth in the scale of operations.

Above average financial risk profile

The company's financial risk profile is marked by healthy net worth base, moderate gearing and moderate debt protection matrix. The tangible net worth of the company increased to Rs.153.60 Cr. as on March 31, 2024(Prov.) from Rs.141.06 Cr. as on March 31, 2023, due to accretion of reserves. Gearing of the company stood moderate at 1.11 times as on March 31, 2024(Prov.), as against 1.14 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.43 times as on March 31, 2024(Prov.), as against 1.32 times as on March 31, 2023. Moreover, the moderate debt protection metrics is marked by Interest Coverage Ratio (ICR) at 2.61 times as on March 31, 2024(Prov.) and Debt Service Coverage Ratio at 1.43 times as on March 31, 2024(Prov.). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.10 times as on March 31, 2024(Prov.) as against 0.12 times as on March 31, 2023. Acuite believes that going forward the financial risk profile of the company will be sustained backed by steady accruals and no major debt funded capex plans.

Weaknesses

Dip in operating income and thin profitability margins

The operating income of the company stood at Rs. 864.32 Cr. in FY2024 (Prov.) as against Rs. 1002.37 Cr. in FY2023. The revenue declined due to a decrease in exports to Egypt. Further, the company is also in the process of diversifying in Malaysia, thereby providing satisfactory revenue visibility in the near to medium term. Further The EBITDA margin stood at 4.00 percent in FY24 (Prov.) as against 3.36 percent in FY23. The PAT margin moderated to 1.45 percent in FY 2024 (Prov.) as against 1.41 percent in FY 2023. Acuite believes that going forward, the company would be able to sustain its business risk profile backed by geographical diversification.

Highly competitive nature of the industry

The Indian meat processing industry is highly competitive, with the presence of a large number of players leading to a highly competitive industry and thus, putting pressure on the profitability margins of the companies. There are a number of abattoirs and meat processing plants registered with the Agricultural and Processed Food Products Export Development Authority (APEDA). Further, most of the meat processing and export-oriented units in the country are situated in U.P., Punjab, Maharashtra, and Andhra Pradesh.

Inherent business risks and regulatory risks

The business is exposed to significant challenges, such as disease outbreaks in the cattle population. Also, the industry is socially and politically sensitive in the country. Factors such as these can impact the availability and processing of buffalo meat. Moreover, as the company earns a major share of its revenue from the export market, its profitability remains exposed to the risk of any adverse regulatory development in the importing country.

Rating Sensitivities

- Sustenance of the profitability margins while scaling up of operations.
- Elongation of working capital cycle.

Liquidity Position

Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.17.09 Cr. in FY2024(Prov.) as against long term debt repayment of Rs. 4.54 Cr. over the same period. The current ratio stood comfortable at 1.54 times as on 31st March, 2024(Prov.) as compared to 1.59 times as on 31st March, 2023. Further, the fund based limits remained moderately utilized at ~86 per cent for six months ended June 2024. Moreover, the cash and bank balances of the company stood at Rs.5.64 Cr. in FY2024(Prov.).

Acuité believes that going forward the company is likely to maintain adequate liquidity position supported by steady accruals.

Outlook: Stable

Acuité believes that RFPL will continue to benefit over the medium term from its experienced management and established relationship with the clients. The outlook may be revised to 'Positive' in case the company registers a substantial increase in its scale of operations and profit margins, while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues or in case of deterioration in the company's financial risk profile on account of higher-than expected increase in debt-funded working capital requirements or further elongation of working capital cycle.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	864.38	1002.37
PAT	Rs. Cr.	12.54	14.14
PAT Margin	(%)	1.45	1.41
Total Debt/Tangible Net Worth	Times	1.11	1.14
PBDIT/Interest	Times	2.61	3.70

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
08 Jun 2023	Packing Credit	Long Term	116.50	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	16.88	ACUITE BBB Stable (Reaffirmed)
	Packing Credit	Long Term	18.50	ACUITE BBB Stable (Reaffirmed)
	Packing Credit	Long Term	50.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Short-term Loan	Short Term	8.00	ACUITE A3+ (Reaffirmed)
	Short-term Loan	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	6.12	ACUITE A3+ (Reaffirmed)
	Short-term Loan	Short Term	5.00	ACUITE A3+ (Reaffirmed)
31 May 2023	Packing Credit	Short Term	116.50	ACUITE A3+ (Assigned)
	Packing Credit	Short Term	18.50	ACUITE A3+ (Assigned)
	Packing Credit	Short Term	50.00	ACUITE A3+ (Assigned)
	Proposed Short Term Bank Facility	Short Term	18.00	ACUITE A3+ (Assigned)
	Term Loan	Long Term	16.86	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Proposed Working Capital Demand Loan	Long Term	11.14	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Derivative Exposure	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE A3+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Derivative Exposure	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE A3+ Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Derivative Exposure	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	116.50	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.50	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.49	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.12	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	24 Feb 2021	Not avl. / Not appl.	31 Jan 2026	Simple	9.39	ACUITE BBB Stable Reaffirmed

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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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