



## Press Release

### ALM Food Products Limited

December 29, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term /Short Term Bank Facilities	165.00 (Enhanced from 138.50)	IVR BBB-/ Stable; IVR A3 (IVR Triple B minus with Stable Outlook and IVR A Three)	Reaffirmed	Simple
<b>Total</b>	<b>165.00</b>	<b>(INR One Hundred Sixty Five Crore Only)</b>		

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation in the rating assigned to the bank facilities of ALM Food Products Limited is on account of experienced management with long track record of operations, manufacturing unit in close vicinity of raw material source and Improvement in Scale of operations and financial performance in FY23 as against FY22 & the same is expected to improve in FY24 coupled with moderate capital structure and debt coverage indicators. The ratings, however, are constrained by high working capital intensity, vulnerability to foreign currency risk, inherent business risk.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in capital structure and debt coverage indicators of the company

#### **Downward Factors**

- Significant Deterioration in debt protection metrics and capital structure.
- High dependence on external source of finance.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

#### **Experienced Promoters with established track record in the business:**

The promoters of the company have been in the business since 1996. Mr. Fazlur Rehman and Mr. Jamshed Ali are the promoters of the company. They have more than four decades of experience in the meat processing industry. Also, it has enabled the company to establish sustained and strong client base locally as well as in export markets.

#### **Manufacturing unit in close vicinity of raw material source**

The manufacturing unit of the company is in Dera Bassi (Punjab), which have a sizeable buffalo population, thereby ensuring easy availability of quality raw material.

#### **Moderate capital structure and debt coverage indicators**

ALM has strong net worth of Rs. 102.11 crore as on March 23(A). The company's capital structure is moderate with overall gearing of 1.24 times as on March 31, 2023, which improved from 1.32 times as on March 31, 2022 due to decrease in tangible net worth. TOL/TNW slightly increased from 1.43 times as on March 31, 2022, to 1.54 times as on March 31, 2023.



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Further, debt protection metrics of the entity are moderate, as reflected in interest coverage of 1.58 times in FY23 as compared to 1.72 times in FY22 . However, Total debt to GCA stood at 15.60 years in fiscal 2023 as compared to 27.28 years in FY22.

### **Improvement in Scale of operations and financial performance in FY23 as against FY22 & the same is expected to improve in FY24.**

The company is having low profitability of the company has as the EBITDA and PAT stood at Rs.27.06 crores and Rs.4.26 crores respectively in FY23. EBITDA and PAT margins of the company stood at 4.02% and 0.63% respectively in FY23. The GCA of stood at Rs.8.12 crores in FY23 against Rs.4.74 crores in FY22.

The company has achieved PAT of Rs. 5.55 crores on total operating income of Rs.444.66 crores in H1FY24 as against PAT of Rs.2.35 crores on total operating income of Rs.316.11 crores in H1FY23.

Also, the working capital cycle of the company has improved at 86 days in FY23 as against 163 days in FY22, which was on account of decreased in average inventory holding period of company from 231 days in FY22 to 138 days in FY23 and also slightly decline in Inventory level in FY23 with an increase in scale of operations in FY23.

### **Key Rating Weaknesses**

#### **High working capital intensity**

The average working capital utilization stood very high at around ~97% depicting high reliance on borrowings to meet working capital requirements.

#### **Vulnerability to foreign currency risk**

The company is exposed to foreign exchange currency risk as it doesn't use any specific hedging mechanism and doesn't enjoy natural hedge as its exports stands at around ~35% of its sales against negligible imports. Its total unhedged forex exposure stands at Rs. 44.70 crores as on 31st March 2023. Such high unhedged forex exposure makes the company vulnerable to foreign currency fluctuation risk.



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### **Inherent business risk**

Change in customer behaviour after COVID-19 customer is focusing on healthier lifestyle and shifting to Vegan/Vegetarian diet. The sensitive nature of the business exposes it to challenges such as disease outbreaks in 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 substantial proportion of its revenue from the domestic market.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning Rating Outlook](#)



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### Liquidity – Adequate

The liquidity position of the company is expected to remain adequate on account of expectation of sufficient cushion in cash accruals vis a vis negligible debt repayment obligation. The unencumbered cash & cash equivalents of the company stood at Rs.4.65 crores as on March 31, 2023. The working capital limit utilization of company stands at ~97% which depicts higher utilization. Also, the company's current ratio is moderate and stood at 1.37x as on March 31, 2023, and is almost at similar level as of FY22. However, The operating cycle of the company reduced to 86 days in FY23 as compared to 163 days in FY22 and 88 days in FY21 on account of reduction in inventory period with an increase in scale of operations and collection period.

### About the Company

The Company was incorporated on 30-07-1996 with its Registered Office at Saharanpur (U.P.) which later shifted to New Delhi. The Company commenced Merchant Export Business in Rice, Meat, and allied Commodities. Later in 2015-16 the company set up a State of Art "Frozen Boneless Buffalo Meat processing unit" with fully automatic imported Slaughterhouse and waste recovery plant located at Village Behra, Gulabgarh Road, Derabassi, S.A.S. Nagar (Punjab). The unit commenced production in January 2017.

### Financials (Standalone):

For the year ended/As on*	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	339.93	672.33
EBITDA	13.75	27.06
PAT	0.37	4.26
Total Debt	129.32	126.75
Tangible Net Worth	97.84	102.11
<b>Ratios</b>		
EBITDA Margin (%)	4.05	4.02
PAT Margin (%)	0.11	0.63
Overall Gearing Ratio (x)	1.32	1.24

\*Classification as per infomerics' standards



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**Status of non-cooperation with previous CRA:** None

**Any other information:** Not Applicable

**Rating History for last three years:**

### Rating history

Sl. No.	Name of Instrument/ Facilities	Rating History for the past 3 years					
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Nov 30, 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit Cum ODBD	Long Term / Short Term	30.00	IVR BBB-/ Stable; IVR A3 (IVR Triple B Minus with Stable Outlook/ IVR A Three).	IVR BBB-/ Stable; IVR A3 (IVR Triple B minus with Stable Outlook and IVR A Three)	-	-
2.	EBD/EBP/ EBRD/EBN	Long Term / Short Term	70.00	IVR BBB-/ Stable; IVR A3 (IVR Triple B Minus with Stable Outlook/ IVR A Three).	IVR BBB-/ Stable; IVR A3 (IVR Triple B minus with Stable Outlook and IVR A Three)	-	-
3.	PC/PCFC	Long Term / Short Term	65.00	IVR BBB-/ Stable; IVR A3 (IVR Triple B Minus with Stable Outlook/ IVR A Three).	IVR BBB-/ Stable; IVR A3 (IVR Triple B minus with Stable Outlook and IVR A Three)	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.





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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit Cum ODBD	-	-	-	30.00	IVR BBB-/ Stable; IVR A3
EBD/EBP/ EBRD/EBN	-	-	-	70.00	IVR BBB-/ Stable; IVR A3
PC/PCFC	-	-	-	65.00	IVR BBB-/ Stable; IVR A3

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-ALM-dec23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).