



## Press Release

### ALM Food Products Limited

**November 30, 2022**

#### **Ratings**

<b>Instrument/ Facility</b>	<b>Amount (Rs. crore)</b>	<b>Rating</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Bank Facilities	11.50	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Assigned	Simple
Long Term/Short Term Bank Facilities	127.00	IVR BBB-/ Stable ; IVR A3 (IVR Triple B minus with Stable Outlook and IVR A Three)	Assigned	Simple
<b>Total</b>	<b>138.50 (INR One Hundred Thirty-Eight Crore and fifty lakhs Only)</b>			

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The ratings assigned to the bank facilities of ALM Food Products Limited factors in experienced promoters with established track record of operations, manufacturing unit in close vicinity of raw material source and moderate capital structure and debt coverage indicators. However, the rating is constrained by decline in scale of operations and financial performance in FY22 though the same is expected to improve in FY23, high working capital intensity, vulnerability to foreign currency risk and inherent business risk

#### **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**

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.



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- Any further significant rise in working capital intensity or unplanned capex leading to any deterioration in the liquidity position.

### 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. Mohd. Saleem, Mr. Tasleem Kamal, Mr. Altamesh Rehman, Mr. Saif Ali, Mr. Monis Raza and Mr. Mohd Adnan are the promoters of the company. They have 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 located 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 net worth of Rs. 98.92 crore as on March 31, 22(Prov). The company's capital structure is moderate with overall gearing of 1.37 times as on March 31, 2022, which improved from 1.42 times as on March 31, 2021 due to decrease in total debt. TOL/TNW also improved from 1.62 times as on March 31, 2021, to 1.43 times as on March 31, 2022. Further, debt protection metrics of the entity are moderate, as reflected in interest coverage of 1.83 times in FY22 as compared to 2.62 times in FY21. However, Total debt to GCA stood high at 28.28 times in fiscal 2022 as compared to 12.11 times in FY21.



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### Key Rating Weaknesses

#### **Decline in Scale of operations and financial performance in FY22 though the same is expected to improve in FY23**

The company has reported decline in financial performance in FY22 as it has reported total operating income of Rs 339.93 crores in FY22(P) as compared to Rs.625.00 crores in FY21 depicting a decline of around 46%. The same had declined significantly as the company's plant was under maintenance for a substantial period in H2FY22. Also, the profitability of the company moderated as the EBITDA and PAT were Rs.9.40 crores and Rs.0.37 crores respectively in FY22 as against Rs.18.41 crores and Rs.5.27 crores in FY21. EBITDA and PAT margins of the company were 2.77% and 0.11% respectively in FY22 as against 2.95% and 0.84% respectively in FY21. GCA was Rs.4.74 crores in FY22 as against Rs.11.47 crores in FY21. However, the company has achieved PAT of Rs.2.51 crores on total operating income of Rs.316.18 crores in H1FY23 as against PAT of Rs.1.84 crores on total operating income of Rs.282.74 crores in H1FY22. On the basis of improved performance reported in H1FY23, the company expects improvement in its scale of operations and profitability in FY23 on y-o-y basis.

#### **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. Also, the working capital cycle of the company has remained elongated at 161 days in FY22 as against 88 days in FY21, which was on account of increase in average collection period of company from 35 days in FY21 to 52 days in FY22 and also significant increase in inventory period of company from 56 days in FY21 to 114 days in FY22 with a decline in scale of operations.

#### **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 58% of its sales against negligible imports. Its total unhedged forex exposure stood at Rs. 95.95 crores as on 31<sup>st</sup> March 2022. The company had incurred forex losses amounting to Rs. 4.35 crores which had impacted the overall profitability of the company as the PAT margin declined



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from 0.84% in FY21 to 0.11% in FY22. Such high unhedged forex exposure makes the company vulnerable to foreign currency fluctuation risk.

### **Inherent business risk**

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 export market, the profitability remains exposed to risk of any adverse regulatory development in the importing country.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

### **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.6.43 crores as on March 31, 2022. The working capital limit utilization of company stands at ~97% which depicts higher utilization. Also, the company's current ratio stood at 1.26x as on 31<sup>st</sup> March 2022. However, The Operating cycle of the company elongated from 88 days in FY21 to 161 days in FY22 on account of increase in inventory period from 56 days in FY21 to 114 days in FY22 and increase in collection period from 35 days in FY21 to 52 days in FY22, with a decline in scale of operations.

### **About the Company**

The company operates a frozen boneless buffalo meat processing unit with fully automatic imported slaughterhouse and waste recovery plant located at village Behra, Gulabgarh Road,



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Derabassi, S.A.S. Nagar (Punjab). The unit commenced production in January 2017. It mainly exports its products to Indonesia, Malaysia, Egypt and UAE.

### Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	625.00	339.93
EBITDA	18.41	9.40
PAT	5.27	0.37
Total Debt	138.88	134.07
Tangible Net worth	97.48	97.84
EBITDA Margin (%)	2.95	2.77
PAT Margin (%)	0.84	0.11
Overall Gearing Ratio (x)	1.42	1.37
Interest Coverage Ratio (x)	2.62	1.83

\*Classification as per Infomerics' standards.

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

**Any other information: Not applicable**

**Rating History for last three years:**

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	PC/PCFC	Long Term/Short Term	47.00	IVR BBB-/Stable; IVR A3	-	-	-
2.	EBD/EBP/EBRD/EBN*	Long Term/Short Term	80.00	IVR BBB-/Stable; IVR A3	-	-	-
3.	Proposed Cash Credit	Long Term	11.50	IVR BBB-/Stable	-	-	-

\* Includes sub-limit of CC of Rs.1.50 crore and ODBD of Rs.3.50 crore





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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
PC/ PCFC	-	-	-	47.00	IVR BBB-/ Stable; IVR A3
EBD/EBP/ EBRD/EBN*	-	-	-	80.00	IVR BBB-/ Stable; IVR A3
Proposed Cash Credit	-	-	-	11.50	IVR BBB-/ Stable

\* Includes sub-limit of CC of Rs.1.50 crore and ODBD of Rs.3.50 crore

**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-nov22.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).