



Press Release

AI Ammar Frozen Foods Exports Private Limited

July 30, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	95.00	IVR BBB/ Stable (IVR Triple B with stable outlook)	-	Assigned	Simple
Total	95.00 (Rupees Ninety-Five Crore Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned the long-term rating of IVR BBB with a stable outlook for the bank loan facilities of **AI Ammar Frozen Foods Exports Private Limited (AAFF)**.

The assigned rating takes into consideration the established track record of operations and experienced management, comfortable debt protection metrics and financial risk profile along with strategic plant location in Uttar Pradesh and expected growth in buffalo meat export. However, these rating strengths are partially offset by relatively moderate operating profitability along with and significant investment made in group company. The ratings also remain constrained on account of vulnerability to any adverse Government regulations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR has principally relied on the audited financial results of the company up to March 31, 2023, and provisional financials for FY2024 (refers to period April 1st, 2023, to March 31, 2024) further projected financials for the FY2025 - FY2027 (refers to period April 1st, 2024, to Mar 31, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations and sustained improvement of EBITDA margins.
- Sustained improvement in debt protection metrics

Downward Factors



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- Significant reduction in the scale of operations and profitability margins,
- Deterioration in debt protection metrics and overall gearing and significant investment in the group companies.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**

The company started operations in 2017 and has maintained a successful track record spanning approximately seven years in its current business line. AAFB is overseen by two directors, led by Mr. Shaik Fareed Shakir, who brings over 25 years of expertise in buffalo meat processing. He is supported by Mr. Asif Qureshi, another director with substantial experience in the meat processing industry, along with a competent management team. Over time, they have cultivated robust partnerships with customers and suppliers across domestic and international markets.

- **Comfortable debt protection metrics and financial risk profile:**

In terms of the debt protection metrics of the company stood moderate with (Interest Service Coverage Ratio) ISCR of 3.59x in FY24 which deteriorated from 26.82x in FY23 due to decrease in operating profitability. The total debt to GCA stood at 4.88x as on March 31, 2024 deteriorated from 0.61x as on March 31, 2023 due to increase in total debt and decrease in GCA. The DSCR of the company stood above unity at 3.83x in FY24 (Prov) deteriorated from 19.32x in FY23 (Audited). Overall gearing of the company stood at 0.51x as on March 31, 2024 deteriorated from 0.24x as on March 31, 2023, mainly due to increase in total debt from Rs. 31.53 crores as on March 31st, 2023, to Rs. 73.22 crores as on March 31, 2024.

- **Locational advantage:**

The company's plant is located at Aligarh in Uttar Pradesh, which facilitates easy availability of raw material with its manufacturing facility being in the agricultural belt of the country.

- **Likely growth in Indian buffalo meat export:**

Buffalo meat export market is expected to grow in the medium term due to competitive export pricing, a fast-growing urban population globally, an improvement in domestic transportation and storage practices, and the growing popularity of supermarkets.



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India is a leading buffalo meat exporter in the world due to high buffalo population and low domestic consumption.

Key Rating Weaknesses

- **Moderate operating profitability:**

The company has reported a Total Operating Income of Rs. 954.96 crore in FY24 (Prov) as against Rs. 888.81 crore in FY23 (Audited), Rs. 700.56 crore in FY22; increased by 7.44 % mainly on account of increase in sales volume of frozen and chilled boneless buffalo meat along with increase in sales realization of buffalo meat. This increase is on account of entering new geographies such as Lebanon, Malaysia and increase in export sale in Uzbekistan and U.A.E for its exports and its by-products. Subsequently, the PAT of the company has also decreased from Rs 46.37 crore in FY23 to Rs 12.59 crore in FY24 (Prov). Despite an increase in scale of operations, the EBIDTA declined to Rs.16.91 crore in FY24 (Prov) as against Rs. 54.55 crore in FY23 (Audited). With significant decrease in the EBITDA margin by 437 bps to 1.77% in FY24 (Prov) against 6.14% in FY23 (A), mainly on account of increase in raw material consumption cost along with lower profit margins earned on executed orders during the year. Further, the margins stood on the higher side during FY23 on account of one-time high margin order received amounting to Rs. 202.64 crore, which fetched a higher margin in FY23, which the company was unable to acquire during FY24. Subsequently, the PAT margin has declined significantly by 380 bps from 5.11% in FY23 to 1.31% in FY24 (Prov) on account of decline in operating margins along with decline in non-operating income during FY24.

- **Significant investment in group companies:**

The company has made a significant amount of investment to the tune of Rs. 70.86 crore in group company namely Pure Foodstuff Pvt Ltd for setting up meat processing unit in Ghaziabad in FY2024. The project is still in nascent stage and the company is yet to finalize the funding plan and product mix for the same.

- **Vulnerability to any adverse Government regulations:**

Changes in Government policies could directly affect sales and raw material supply, as currently the Government of Uttar Pradesh is not issuing new licenses for the opening of new slaughterhouses or capacity expansion of existing slaughterhouses. However, the policies that have affected illegal abattoirs have been positive for licensed abattoirs. But



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being a regulated business any adverse change in policy can have a negative impact on the business. Also, products must meet international quality standards as per the policy and regulations of importing nations.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

[Instrument/Facility wise Default Recognition & Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 3.52 crore, as on 31 March 2023. Against a current portion of long-term debt (CPLTD) of Rs 0.60 crore in FY2024 (Prov), the company had a cash accrual of Rs. 14.99 crore in FY2024 (Prov). The company projected to generate cash accruals of Rs. 45.91 crore in FY2024. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate. The average utilization of fund based working capital limits of the company stood high at 69.26% during last 12 months ending June 2024.

About the Company

Al Ammar Frozen Foods Exports Private Limited., established in 2014 under the Companies Act 2013, operates from Delhi and Aligarh, UP. Their 41,830 sqm factory is ISO 22000:2005 and HACCP certified, specializing in halal frozen boneless buffalo meat exports. The facility includes modern processing equipment and cold storage, exporting to the Middle East, Asia, and Africa.

Financials Standalone:

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	888.81	954.96
EBITDA	54.55	16.91
PAT	46.37	12.59



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Total Debt	31.53	73.22
Tangible Net Worth	130.68	143.34
EBITDA Margin (%)	6.14	1.77
PAT Margin (%)	5.11	1.31
Overall Gearing Ratio (x)	0.24	1.01
Interest Coverage (x)	26.82	3.59

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Crisil Ratings Ltd vide its press release dated April 30, 2024, has classified the ratings of the company under Issuer Non-Cooperating category on account of non-submission of relevant information

Any other information: Not applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based Limits	Long Term	95.00	IVR BBB/ Stable (IVR Triple B with stable outlook)	-	-	-

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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



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

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Annexure 1: Instrument/Facilities Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	85.00	IVR BBB/ Stable (IVR Triple B with stable outlook)
Proposed	-	-	-	-	10.00	IVR BBB/ Stable (IVR Triple B with stable outlook)

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-AIAmmar-july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable.



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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.

