



## Press Release

### HMA Agro Industries Limited

April 06, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple / High / Complex)
Long Term Bank Facilities	300.00 <sup>^</sup>	IVR A-/ Stable (IVR A minus with Stable outlook)	Revised from IVR BB+; Issuer Not Cooperating (IVR Double B Plus; Issuer Not Cooperating)	Simple
<b>Total</b>	<b>300.00 (Three hundred crore rupees)</b>			

*\*Issuer did not cooperate; Based on best available information.*

*<sup>^</sup>Facilities aggregating to Rs. 50.00 crores were considered as short term in last rating exercise. The same has been reclassified as long term on request of the company.*

#### Details of facilities are in Annexure 1

#### Detailed Rationale

Earlier Infomerics has moved the rating assigned to the bank facilities of HMA Agro Industries (HAIL) into issuer not cooperating category due to non-submission of information by the client. Now the client has duly submitted all the required information for a detailed review. Based on the same, the ratings assigned to the bank facilities of HAIL has been revised.

The revision in the long-term rating of the bank facilities of HMA Agro Industries Limited (HAIL) derives strength from the company's improvement in financial performance during FY22. Furthermore, the ratings also derive strengths from extensive experience of its promoters in the industry coupled with established track record of operations, comfortable capital structure and debt protection metrics, proximity of manufacturing facilities to source of raw material and stable demand prospects. However, these rating strengths are partially offset by its presence in a highly competitive and fragmented industry, inherent business risks because of sensitive nature of the business, exposure to regulatory risk in overseas markets, foreign exchange fluctuation risk and trade policies of importing countries.



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### Key Rating Sensitivities:

#### Upward Factors

- Substantial and sustained growth in operating income, operating margin and cash accrual

#### Downward Factors

- Moderation in operating income and cash accrual impacting the debt protection metrics on a sustained basis
- Stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure weakens the financial risk profile, particularly liquidity.
- Deterioration in overall gearing to over 1.5x

### Detailed Description of Key Rating Drivers

#### Key Rating Strengths

- **Experienced promoters and established track record of operations**

HMA has an established operational track record in the buffalo meat industry with its promoters, one Ahmad family having almost six decades of experience in the industry. Ahmad family, over the years had established healthy relationship with its customers and suppliers. The overall affairs of the company are managed by Mr. Gulzar Ahmad and Mr. Zuliqar Ahmad Qureshi, having experience of more than three decades and their sons, Mr. Wajid Ahmad and Mr. Gulzeb Ahmad having experience of more than two decades. All of them together look after the overall functioning of the company.

- **Improvement in the financial performance in FY22**

The company's topline stood at Rs. 1462.20 crore in H1 FY22. Infomerics expects the top line of the company to sharply increase in FY2022 vis-a-vis FY2021 on the back of improvement witnessed in the overall sales volume and realisation. Consequently, the profits and cash accruals of the company are also expected to increase significantly in FY2022 and remain at healthy levels.

- **Proximity of manufacturing facilities to source of raw material**



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The group's plants are located at Unnao and Agra (Uttar Pradesh), Dera Bassi (Punjab) and Parbhani (Maharashtra). Additionally, the company also has two plants in lease in Dashna (Uttar Pradesh) and Malegaon (Maharashtra). The plant locations have sizeable buffalo population in India, thereby ensuring easy availability of quality raw material.

- **Comfortable capital structure and debt protection metrics**

The company has a comfortable capital structure mainly on account of its satisfactory net worth base of Rs. 257.10 crore as on March 31, 2021, and low exposure to borrowings with nil long-term debts. The overall gearing ratio of the company remained satisfactory at 0.66x as on March 31, 2021 (1.03x as on March 31, 2020). Further, total indebtedness of the company as reflected by the TOL/TNW stood at 1.24x as on March 31, 2021 (1.80x as on March 31, 2020). Debt protection parameters marked by interest coverage ratio and Total Debt to GCA remained comfortable at 15.79x and 1.96 years respectively.

- **Efficient working capital management**

HMA manages its working capital efficiently. It allows credit period of around 30-45 days to its customers and maintains inventory of around 7-15 days. The working capital utilisation levels of the company remain moderate as average utilisation levels remained at ~45% during the last 13 months ended October 2021.

- **Stable demand prospects**

The growth opportunity in the export segment is likely to remain stable as India is among the leading buffalo meat exporters in the world.

### Key Rating Weaknesses

- **Highly competitive and fragmented industry**

The buffalo meat processing industry is highly fragmented and competitive because of the presence of large, organised players and numerous mid-sized players. The competition is further aggravated by exports from other major meat-exporting countries such as Brazil and Australia. This keeps the pricing flexibility of the industry participants in check and limits profitability.



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- **Inherent business risks because of sensitive nature of the business and regulatory risk in importing country**

The business is exposed to significant 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 major share of its revenue from the export market, the profitability remains exposed to risk of any adverse regulatory development in the importing country.

- **Exposure to foreign exchange risk and trade policies of importing countries**

Exports constitute ~90% of the company's revenues. It exports processed meat majorly to countries – Egypt, Malaysia and Indonesia. Given that most of the revenues are contributed by exports, HMA is exposed to foreign currency risk on its export's receivables. It enters into forward or future contracts to hedge its foreign currency exposure. At present its unhedged foreign currency exposure is almost Nil.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

### **Liquidity - Strong**

The company had generated healthy cash accrual of around Rs. 86.20 Cr in FY21 as against nil repayment obligation. Further, the company is also expected to generate steady cash accrual over the near medium term against nil repayment obligation. Moreover, the Company's average utilisation of its bank lines was comfortable, at around 45 per cent over the 13 months ended October 2021 indicating a good liquidity buffer.

### **About the Company**

HMA Agro Industries Ltd. (HMA) was established in April 2008 and started its commercial operation in 2010. HMA has an Abattoir cum Meat Processing plants in disease free zone at



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Unnao and Agra (Uttar Pradesh), Dera Bassi (Punjab) and Parbhani (Maharashtra), additionally the company also has two plants in lease in Dashna (Uttar Pradesh) and Malegaon (Maharashtra) in India. It has export capacity of 1,75,000 MT of frozen HALAL boneless and deglarded Buffalo meat. In order to have effective and hygiene storage of bulk quantities of Frozen Meat, the company has established a contemporary warehousing and cold storage wing, which is bestowed with cutting– edge facilities.

All HALAL operations/practices are being certified & supervised by Jamiat Ulama-E-Hind, New Delhi. At present the Company is approved for export around in more than 40 countries.

### Financials (Standalone)

For the year ended* / As on	INR in Crore	
	31-Mar-20 (A)	31-Mar-21 (A)
Total Operating Income	2415.50	1709.20
EBITDA	103.10	105.80
PAT	44.50	73.00
Total Debt	174.00	169.00
Tangible Net Worth	169.30	257.10
EBIDTA Margin (%)	4.27	6.19
PAT Margin (%)	1.84	4.24
Overall Gearing ratio (x)	1.03	0.66

\*Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Facility	Current Rating (Year: 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (29 November 2021)	Date(s) & Rating(s) assigned in 2020-21 (30 September 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Pre Shipment Credit	Long term	125.00	IVR A-/ Stable	IVR BB+ Issuer Not Cooperating*	IVR BBB+/ Stable	-



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2.	Post Shipment Credit	Long term	175.00	IVR A-/ Stable	-	-	-
3.	Export Credit Facility	Long term	40.00	-	IVR BB+ Issuer Not Cooperating*	IVR BBB+/ Stable	-
4.	Proposed facility	Long term	90.00	-	IVR BB+ Issuer Not Cooperating*	IVR BBB+/ Stable	-
5.	Post Shipment Credit	Short term	50.00	-	IVR A4+ Issuer Not Cooperating*	IVR A2 <hr/> IVR A2 (September 25, 2020)	-

\*Issuer did not cooperate; Based on best available information

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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)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are



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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
Pre-Shipment Credit	-	-	-	125.00	IVR A-/ Stable
Post Shipment Credit	-	-	-	175.00	IVR A-/ Stable

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-HMA-Agro-apr22.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).