



Press Release

IFF India Frozen Foods Private Limited

January 28, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	90.00 (includes proposed facility of Rs. 30.00 Cr)	IVR BBB/ Stable (IVR triple B with Stable Outlook)	-	Rating assigned	Simple
Total	90.00 (INR ninety crores 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

The long-term rating assigned to the bank facilities of IFF India Frozen Foods Private Limited (IIFFPPL) has taken into account the significant improvement in the business risk profile buoyed by increase in operating income coupled with favourable geographical location. Further, the rating also factor in long track record of operations, experienced management, above average financial risk profile supported by strong debt protection metrics and efficient working capital management. However, the rating is constrained by thin profitability margins, foreign exchange fluctuation risk, regulatory risk and highly competitive nature of the industry.

The outlook of IIFFPPL is expected to remain Stable as it is supposed to benefit from the extensive experience of the promoters coupled with strong business risk profile and efficient work capital management.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in the scale of operations with improvement in profitability and cash accruals.
- Improvement in capital structure and debt protection metrics on a sustained basis.
- Managing working capital requirements efficiently leading to improvement in the operating cycle with improvement in liquidity.



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Downward Factors

- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company.
- Moderation in capital structure and/ or coverage indicators.
- Any withdrawal of subordinated unsecured loans and/or any unplanned capex leading to deterioration in the capital structure and / or moderation in debt protection metrics with moderation in interest coverage ratio to below 1.5x.
- Elongation in the operating cycle with moderation in liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters coupled with long track of operations**

IFF India Frozen Foods Private Limited (IIFFPPL) is a family-run business. The entity was initially established as a partnership firm in the year 2008 in the name of “India Frozen Foods”. In September 2024, the business shifted to the private limited company, IIFFPPL. The company is currently operated and managed by Mohd. Ahetesham, Mohd. Irfan, Mohd. Imran and Mohd Rizwan. They were all earlier partners in the firm and currently have an equal shareholding in the company. They all have accumulated vast experience of around two decades in the meat processing industry through their association with this company and other family run businesses. The promoters are well supported by a team of experienced professionals managing the company’s day-to-day operations. The company has a considerable track record in this business which has resulted in long-term relationships with both suppliers and customers.

- **Increase in operating income coupled with favourable geographical location**

IFF India Frozen Foods Private Limited (IIFFPPL) is engaged in the processing of buffalo meat with its processing facilities located in the state of Uttar Pradesh, which is one of the largest meat processing hubs in India. The favourable geographical location of facilities provides easy access to the raw material and skilled labour. The company derives around 90% of its revenue from the export of meat. Moreover, the revenue of the company witnessed a y-o-y increase of 33.48% to Rs. 1465.99 Cr in FY2024 (refers to period April 1st, 2023, to Mar 31, 2024) from Rs.1098.29 Cr of FY2023 (refers to period April 1st, 2022, to Mar 31, 2023) on account of boost in demand in the global meat industry coupled with geographical diversification. Further,



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IIFFPPL has already achieved a revenue of Rs. 1201.74 Cr as on 9MFY2025 (refers to period April 1st, 2024, to December 31, 2024) (Provisional) as compared to Rs. 1095.57 Cr as on 9MFY2024 (refers to period April 1st, 2023, to December 31, 2023) (Provisional). In the medium term, the sustenance of the growth of the revenue of the company will be a key rating monitorable.

- **Efficient working capital management**

The working capital management of IIFFPPL is efficient marked by the comfortable operating cycle of the company which stood at 19 days as on 31st March 2024 as compared to 21 days as on 31st March 2023. The operating cycle is predominantly driven by the low debtor and inventory level during the same period. The debtor period stood at 34 days as on 31st March 2024 as compared to 27 days as on 31st March 2023. The company has been dealing majorly with the export debtors. The goods are shipped 30 percent in advance and rest on a CAD basis so if there is any issue with the buyer, the goods can be diverted. The inventory holding stood at 25 days as on 31st March 2024 as compared to 38 days as on 31st March 2023. The company primarily maintains the inventory level to cater for bulk orders. The working capital management of the company will remain almost at the same level over the medium term, as evidenced by the efficient collection mechanism and low inventory levels.

- **Above average financial risk profile supported by strong debt protection metrics**

The adjusted tangible net worth (ATNW) of the company increased to Rs 61.25 Cr as on March 31, 2024, from Rs. 53.73 Cr as on March 31, 2023, due to accretion of reserves. The ATNW of the company consisted of unsecured loans from directors and other body corporates of Rs.13.48 Cr which is subordinated to the bank loan and therefore treated as quasi equity. The adjusted gearing of the company stood comfortable at 0.56x as on March 31, 2024, as against 0.84x as on March 31, 2023. The adjusted Total Outside Liabilities/ Tangible Net Worth have improved then also it stood high at 3.45x as on March 31, 2024, as against 3.82x as on March 31, 2023. The debt protection metrics of the company stood strong marked by Interest Coverage Ratio at 7.19x as on March 31, 2024, and Debt Service Coverage Ratio at 5.73x as on March 31, 2024. The adjusted total debt/EBITDA stood comfortable at 0.87x as on March 31, 2024. Going forward, the financial risk profile of the company will continue to remain above average, backed by steady accruals and no major debt-funded capex plans.

Key Rating Weaknesses

- **Thin profitability margins**



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The profitability margins of the company are typically low owing to limited value addition in the buffalo meat processing business. Nevertheless, the EBITDA margin increased to 2.69% in FY2024 from 2.43% in FY2023 due to moderation in freight charges. However, the PAT margin decreased to 1.88% in FY2024 from 2.00% in FY2023 due to taxation on account of change in constitution. Nevertheless, the absolute EBITDA witnessed a growth of 41.20% to Rs.40.13 Cr in 9MFY2025 from Rs. 28.42 Cr in 9MFY2024 primarily on account of the company's increase in business in south-east Asian countries, which generates a better margin than middle east Asian countries. These further resulted in increase in absolute PAT witnessed a growth of 59.95% to Rs.25.88 Cr in 9MFY2025 from Rs.16.18 Cr in 9MFY2024. Further, the EBITDA margin in 9MFY25 stood at 3.34% as compared to 2.59% in 9MFY24 while the PAT margin stood at 2.15% in 9MFY25 as compared to 1.48 % in 9MFY24. In the medium term, the sustenance of the growth of the profitability margins of the company will be a key rating sensitivity.

- **Foreign exchange fluctuation risk and regulatory risk**

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. Furthermore, IIFFPL is exposed to the fluctuation risk in foreign exchange rates as exports constitute 95% of the company's revenues. As of September 30, 2024, the company had unhedged foreign currency exposure of Rs. 141.98 Cr as per the UFCE certificate. The company has partially hedged its foreign currency exposure (42.51%), nevertheless, the company wanted to take benefit of rupee depreciation of the remaining unhedged foreign currency exposure.

- **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.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

[Complexity level of rated Instruments/Facilities](#)

Liquidity– Adequate

The company has adequate liquidity position marked by sufficient net cash accruals vis a- vis debt repayment obligations. The gross cash accruals stood at Rs. 29.57 crore in FY2024 as against maturing debt obligations of Rs. 0.62 crores. The current ratio stood comfortable at 1.19x as on March 31, 2024, and the Quick Ratio stood comfortable at 0.80x as on March 31, 2024. The cash and bank balances of the company stood at Rs.1.51 Cr as on March 31, 2024. The average fund-based limit remains utilised at around 60.27% per cent over the twelve months ended December 2024, indicating a liquidity cushion. There have been no instances of overdrawing. Going forward, the liquidity position of the company is likely to improve supported by steady accruals.

About the Company

Incorporated in 2021, IFF India Frozen Foods Private Limited (IIFFPL) operates as an integrated cold chain and preservation facility and is engaged in the processing and supplying of frozen buffalo meat. The processing facilities are based at Sambhal, Bareilly and Saharanpur of Uttar Pradesh and currently the company has permission to process 700 buffaloes per day. The buffaloes are procured from local agents and farmers and IIFFPL predominantly exports meat to countries like Malaysia, Egypt, Hong Kong, Vietnam, Jordan, Oman etc. Presently, the company is headed by the promoter directors Mr. Mohd Ahetesham and Mr. Mohd Irfan. who are actively involved in the day-to-day operations of the company. The promoters and the other two promoters Mr. Mohd Imran and Mr. Mohd Rizwan had started their meat processing business in the form of a partnership firm under the name of Indian Frozen Foods in 2008 and the business was transferred to IIFFPL in September 2023.

Financials (Standalone):

(Rs. crore)



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For the year ended/ As on*	31-03-2023 [^]	31-03-2024
	Audited	Audited
Total Operating Income	1098.29	1465.99
EBITDA	26.70	39.50
PAT	21.97	27.52
Total Debt	45.22	34.53
Adjusted Tangible Net Worth	53.73	61.25
EBITDA Margin (%)	2.43	2.69
PAT Margin (%)	2.00	1.88
Overall adjusted Gearing Ratio (x)	0.84	0.56
Interest Coverage (x)	6.23	7.19

* Classification as per Infomerics' standards.

[^]Financials of India Frozen Foods, the erstwhile partnership firm

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	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.	EPC/ PCFC	Long Term	60.00	IVR BBB/ Stable	-	-	-
2.	Proposed fund-based facility	Long Term	30.00	IVR BBB/ Stable	-	-	-

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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).



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Annexure 1: Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
EPC/ PCFC	-	-	-	-	60.00	IVR BBB/ Stable
Proposed fund-based facility	-	-	-	-	30.00	IVR BBB/ Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-IFFIndia-jan25.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.