



Press Release

Mash Agro Foods Limited (MAFL)

January 14, 2022

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term fund-based Bank Facilities – EPC/PCFC	120.00	IVR A-/ Stable (IVR A Minus Stable Outlook)	IVR A-/ Stable (IVR A Minus Stable Outlook)	Reaffirmed	Simple
Long term fund-based Bank Facilities – Term Loans	10.00	IVR A-/ Stable (IVR A Minus Stable Outlook)	IVR A-/ Stable (IVR A Minus Stable Outlook)	Reaffirmed	Simple
Short Term Fund Based Bank Facilities – OD	6.00	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	Reaffirmed	Simple
Long term fund-based Bank Facilities – EPC/PCFC (Proposed)	25.00	IVR A-/ Stable (IVR A Minus Stable Outlook)	-	Assigned	Simple
Total	161.00				

Details of facilities are in Annexure 1

Detailed Rationale

The reaffirmation and of the rating to the bank facilities of Mash Agro Foods Limited (MAFL) continues to derive comfort from established track record in meat processing industry, strategic location of plant, healthy capital structure, improving scale of operations and comfortable financial risk. However, these rating strengths remain constrained by Inherent



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business risks and regulatory risk, highly competitive and fragmented industry and exposure and trade policies of importing countries.

Key Rating Sensitivities:

Upward Factor:

- Growth in operating income with improvement in margins leading to improvement in cash accruals on a sustained basis.
- Improvement in the operating cycle leading to improvement in liquidity.

Downward Factor:

- Dip in operating income and/or profitability affecting the company's financial performance and liquidity position.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established Track record in meat processing industry

The promoters have more than a decade of experience in the meat processing business, which has helped the company in building stable relationship with its customers and suppliers. The company's sales are diversified across various countries such as Hongkong, Indonesia, Vietnam, Thailand etc

Strategic location

The plants are located at Chllhamari in Bihar & Hasanganj in Uttar Pradesh, which have sizeable buffalo population in India, thereby ensuring easy availability of quality raw material.

Healthy capital structure

The Company has a strong network of Rs. 159.44 crore and a total debt of Rs. 93.52 crore primarily comprising of short-term borrowings of Rs. 81.32 crore to fund its working capital requirements. The majority of the company's debt is working capital borrowings in the form of export packing credit. The company has minimal long-term debt.



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Improving Scale of operations

Over the past 3 years the company has consistently grown at a CAGR of 23.22%. As per financials of FY2021, the company has reported total operating income of Rs. 1053.82 crore, up by ~16% as against Rs.902.77 Cr in FY2020, due to increased market share and wider market reach.

Comfortable financial risk

The overall gearing ratio of the company improved to 0.70x as on March 31, 2020 vis-à-vis 0.97x as on March 31, 2019, due to reduced utilization of bank borrowings and accretion of profit to reserves. Total indebtedness is reflected by the TOL/TNW stood satisfactory at 0.98x as on March 31, 2020. Debt protection metrics marked by interest coverage ratio and DSCR remained comfortable at 4.44x and 2.76x in FY2020.

Key Rating Weaknesses

Inherent business risks and regulatory risk

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. Policies that have affected illegal abattoirs have been positive for licensed abattoirs. However, any policy change could impact business. 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.

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.

Exposure and trade policies of importing countries



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Exports constitute 100% of the company's revenues. It exports processed meat to countries in the Vietnam, Thailand, Hong Kong, etc. products have to meet quality standards internationally and any change in policies in the importing country can also impact the business.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

(<https://www.infomerics.com/rating-methodology-detail/manufacturing-companies>)

Financial Ratios & Interpretation (Non-Financial Sector)

(<https://www.infomerics.com/rating-criteria-detail/financial-ratios--implication>)

Liquidity - Adequate

The group had generated healthy cash accrual of around Rs.41.54 Crore in FY2021 as against minimal repayment obligation of close to Rs.5.28crore. Further, the company is also expected to generate steady cash accrual over the near medium term. Moreover, the Company's average utilization of its bank lines was moderate, at around 40 per cent over the 12 months ended Sept 2021 indicating liquidity cushion. Furthermore, comfortable gearing position along with moderate cash balances also supports the liquidity to an extent.

About the Company

Mash Agro Foods Limited is a company incorporated on 29th July, 2010 with its registered office at Kanpur, Uttar Pradesh. The company is promoted by Mr. Sajid Nadeem, Mr. Shahid Waseem. They are the producer & exporter of frozen halal boneless buffalo meat. The production capacity is of 80000 MTPA. The company is in 100% export oriented sales. The company is ISO9001:2008, HACCP and FSSAI certified. The company has an APEDA registered integrated abattoir and meat processing plant in U.P& Bihar.



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Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	902.77	1053.82
EBITDA	45.27	50.09
PAT	26.07	34.19
Total Debt	87.75	93.52
Tangible Net Worth	124.92	159.44
EBITDA Margin (%)	5.01	4.75
PAT Margin (%)	2.89	3.24
Overall Gearing Ratio (x)	0.70	0.59

* 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 Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dated: January 03, 2022)	Date(s) & Rating(s) assigned in 2020-21 (Dated: October 28, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Facility –Term Loan	Long Term	10.00	IVR A-/ Stable	IVR A-/ Stable	IVR A-/ Stable	-
2.	Fund Based Facility – EPC/PCFC	Long Term	120.00	IVR A-/ Stable	IVR A-/ Stable	IVR A-/ Stable	-
3.	Fund Based Facility – OD	Short Term	6.00	IVR A2+	IVR A2+	IVR A2+	-
4.	Fund Based Facility –Term Loan (Proposed)	Long Term	25.00	IVR A-/ Stable	-	-	-



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Name and Contact Details of the Rating Analysts:

Name: Mr. Hardik Gala Tel: (022) 62396023 Email: hardik.gala@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@infomerics.com
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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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
Long Term Fund Based Facility –Term Loan	-	-	April, 2023	10.00	IVR A-/ Stable
Long Term Fund Based Facility – EPC/PCFC	-	-	-	120.00	IVR A-/ Stable



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Short Term Fund Based Facility – OD	-	-	-	6.00	IVR A2+
Long Term Fund Based Facility – EPC/PCFC (Proposed)	-	-	-	25.00	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-Mash-Agro-14ja22.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.