



Press Release

Mash Agro Foods Limited

July 17, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	231.00 (increased from Rs. 181.00 crore) (including proposed limit of Rs. 31.00 crore)	IVR A-/ Stable (IVR A minus with Stable outlook)	IVR A-/ Stable (IVR A minus with Stable outlook)	Reaffirmed/ Assigned	Simple
Total	231.00 (Rupees two hundred thirty one 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

The reaffirmation of the long-term rating assigned to the existing bank facilities, and the rating assigned to the enhanced long-term bank facilities of Mash Agro Foods Limited (MAFL) derives strength from long track record of operations coupled with experienced management, improvement in top-line in FY2024 (provisional) (refers to period April 1st, 2023, to Mar 31, 2024) and favourable geographical location. The rating also factors in its healthy financial position characterized by conservative leverage, robust debt coverage, adequate liquidity and moderate working capital management. These strengths are partially offset by thin profitability margins, inherent business risks and regulatory risks and highly competitive nature of the industry.

Key Rating Sensitivities:

Upward Factors

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

Downward Factors



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- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company
- Moderation in the capital structure and/ or coverage indicators
- Elongation in the operating cycle with moderation in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations coupled with experienced management**

Mash Agro Foods Limited (MAFL) is a part group and has a long track record of operations of fourteen years. Further, the promoters have more than three decades of experience in the meat processing business. The promoters' experience, their strong understanding of local market dynamics, and healthy relations with suppliers and customers will benefit the company going forward, resulting in steady growth in the scale of operations.

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

MAFL is engaged in the processing of buffalo meat with its processing facilities located in the state of Bihar and Uttar Pradesh, which is the largest meat processing hubs in India. 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. Moreover, the revenue of the company witnessed a y-o-y decline of 4.9% to Rs.903.07 Cr in FY2023 (refers to period April 1st, 2022, to Mar 31, 2023) from Rs.949.96 Cr in FY2022 (refers to period April 1st, 2021, to Mar 31, 2022) on account of sea route disruption due to Russia-Ukraine war. Nevertheless, the revenue increased by 16.41% to Rs. 1051.25 Cr in FY2024 (Provisional) in lieu of boost in demand in the global meat industry coupled with geographical diversification.

- **Healthy financial risk profile supported by comfortable leverage structure**

The capital structure of the company remained healthy with its satisfactory net worth base supported by its low reliance on external debt. The company's tangible net worth witnessing steady growth on the back of increasing profit and healthy accretion of reserves and stood at Rs. 212.11 Cr as on March 31, 2023, from Rs. 182.65 Cr as on March 31, 2022. Further, gearing of the company stood comfortable at 0.85x as on March 31, 2023, as against 0.72x



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as on March 31, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) also stood comfortable at 0.97x as on March 31, 2023, as against 0.94x as on March 31, 2022. Again, the capital structure of the company remains comfortable as on 31st March 2024 (Provisional), as the tangible net worth (TNW) of the company stood at Rs.246.02 Cr, gearing stood comfortable at 0.73x and The Total outside Liabilities/Tangible Net Worth (TOL/TNW) also stood comfortable at 0.83x as on 31st March 2024 (Provisional). Further, the debt protection metrics of the company stood comfortable marked by Interest Coverage Ratio at 8.60x as on March 31, 2023, and Debt Service Coverage Ratio at 8.18x as on March 31, 2023. Again, ICR of the company stood comfortable at 8.53x and DSCR also stood comfortable at 7.98x as on 31st March 2024 (Provisional). However, the total debt/EBITDA stood high at 4.32x as on March 31, 2023 as well as 3.79x as on March 31, 2024 (Provisional). The financial risk profile of the company will remain at similar level backed by steady accruals and no major debt funded capex plans in the medium term.

- **Moderate working capital management**

The working capital management of MAFL is moderate marked by the operating cycle of the company which stood at 100 days as on 31st March 2023 as compared to 71 days as on 31st March 2022. The operating cycle is predominantly driven by the moderate debtor and inventory level during the same period. The debtor period stood at 52 days as on 31st March 2023 as compared to 34 days as on 31st March 2022. MAFL has been dealing majorly with the export debtors. The goods are shipped on 30 percent 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 58 days as on 31st March 2023 as compared to 49 days as on 31st March 2022. The company primarily maintains the inventory level to cater bulk orders. Furthermore, the operating cycle stood at 99 days as on 31st March, 2024 (Provisional). The debtor days stood at 51 days and the inventory days stood at 54 days as on 31st March, 2024 (Provisional). 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. The working capital management of the company will remain at similar levels over the medium term owing to the nature of the industry.

Key Rating Weaknesses



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- **Thin profitability margin**

The profitability margins of the company are typically low owing to limited value addition in the buffalo meat processing business. Nevertheless, the profitability margins have remained range bound in FY21-23. The EBITDA margin of the company has declined to 4.62% in FY23 from 5.06% in FY22 on account moderation in the freight charges. Again, the PAT margin has improved marginally to 3.44% in FY23 from 3.41% in FY22, due to reduction in interest cost. However, the profitability margins have declined further in FY2024 due to increase in freight charges on account of disruption in sea routes. The EBITDA margin stood at 4.52% and the PAT margin stood at 3.17% in FY2024 (Provisional). Going forward, the improvement in the profitability margins of the company will be a key rating monitorable.

- **Inherent business risks and regulatory risks**

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.

- **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

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)



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

Liquidity– Adequate

The company will maintain adequate liquidity position going forward due to consistently increased accruals. The gross cash accruals stood at Rs. 34.85 Cr as on March 31, 2023, as against long term debt repayment of Rs.0.06 Cr over the same period. The cash and bank balances of the company stood at Rs.21.14 Cr as on March 31, 2023. However, the current ratio stood moderate at 1.80x as on March 31, 2023, and the quick ratio stood below average at 1.06x as on March 31, 2023. Further, the average fund-based limit utilisation remains high at around 92.01 per cent over the twelve months ended March 2024. The liquidity improved further as the current ratio stood at 2.01x and the quick ratio stood at 1.23x as on 31st March, 2024 (Provisional). Going forward, the company is likely to maintain adequate liquidity position supported by steady accruals.

About the Company

Incorporated in 2010, Mash Agro Foods Limited (MAFL) 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 located in Uttar Pradesh and Bihar. The buffaloes are procured from local agents and farmers and MAFL predominantly exports meat to countries like UAE, Egypt, Indonesia, Malaysia, etc. The company is headed by the promoter directors Mr. Sajid Nadeem and Mr. Shahid Waseem. who are actively involved in the day-to-day operations of the company. Currently, the production capacity stood at 90,000 MTPA.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	903.07	1051.25
EBITDA	41.72	47.51
PAT	31.10	33.32
Total Debt	180.27	180.22
Tangible Net Worth	212.11	246.02
EBITDA Margin (%)	4.62	4.52
PAT Margin (%)	3.44	3.17
Overall Gearing Ratio (x)	0.85	0.73
Interest Coverage (x)	8.60	8.53

* Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA: Not applicable

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)				Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	(May 27, 2024)	Date(s) & Rating(s) assigned in 2023-24 (April 14, 2023)	Date(s) & Rating(s) assigned in 2022-23 (March 28, 2023)	Date(s) & Rating(s) assigned in 2021-22	
								(January 14, 2022)	(January 03, 2022)
1.	EPC/PCFC	Long Term	200.00	IVR A-/Stable	IVR A-/Stable	IVR A-/Stable	IVR A-/Stable	IVR A-/Stable	IVR A-/Stable
2.	Proposed EPC/PCFC	Long Term	31.00	IVR A-/Stable	IVR A-/Stable	IVR A-/Stable	IVR A-/Stable	IVR A-/Stable	-
3.	Term loan	-	-	-		-	-	IVR A-/Stable	IVR A-/Stable
4.	OD	-	-	-		-	-	IVR A2+	IVR A2+

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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 instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Annexure 1: Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
EPC/PCFC I	-	-	-	-	170.00	IVR A-/ Stable
EPC/PCFC II	-	-	-	-	30.00	IVR A-/ Stable
Proposed EPC/PCFC	-	-	-	-	31.00	IVR A-/ Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-MashAgro-july24.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.