Press Release

Mash Agro Foods Limited

March 21, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	231.00 (including proposed limit of Rs. 19.00 crore)	IVR A-/ Negative (IVR A minus with Negative outlook)	IVR A-/ Stable (IVR A minus with Stable outlook)	Rating reaffirmed; Outlook revised from Stable to Negative	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 bank facilities of Mash Agro Foods Limited (MAFL) derives strength from long track record of operations coupled with experienced management, steady business risk profile and geographical diversification. 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 offset by thin & declining profitability margins, inherent business risks and regulatory risks and highly competitive nature of the industry.

The revision in the long-term rating outlook from Stable to Negative is due to Infomerics' expectation of deterioration in the profitability in the near to medium term on account of decline in the net profit during FY2024 (refers to period April 1st, 2023, to Mar 31, 2024). The PAT has decreased to Rs. 20.99 crore in FY2024 from Rs. 31.08 crore in FY2023 (refers to period April 1st, 2022, to Dec 31, 2023), due to decrease in the tax rebate. The tax holiday in MAT reduced from 100% to 30% from FY2024, as the company has already availed the maximum exemption for the eligible 10 years on earlier occasion.

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

- 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

- **Experienced promoters coupled with long track record of operations**
  Mash Agro Foods Limited (MAFL) 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.

- **Steady business risk profile supported by geographical diversification**
  MAFL 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 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 increase of 21.16% to Rs.1094.13 Cr in FY2024 from Rs.903.07 Cr in FY2023 on account of boost in demand in the global meat industry coupled with geographical diversification. Further, MAFL has already achieved a revenue of Rs. 842.24 Cr as on 9MFY2025 (refers to period April 1st, 2024, to Dec 31, 2024) (Provisional) as compared to Rs. 814.09 Cr as on 9MFY2024 (refers to period April 1st, 2023 to Dec 31, 2023)

(Provisional). Going forward the sustenance in the growth of the revenue of the company will be a key rating monitorable.

- **Healthy financial risk profile**

  MAFL has comfortable capital structure. The tangible net worth (TNW) of the company increased to Rs. 233.03 Cr as on March 31, 2024, from Rs. 212.11 Cr as on March 31, 2023. Further, gearing of the company stood comfortable at 0.78x as on March 31, 2024, as against 0.85x as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) also stood comfortable at 0.90x as on March 31, 2024, as against 0.97x as on March 31, 2024. The debt protection metrics of the company stood comfortable marked by Interest Coverage Ratio at 7.60x as on March 31, 2024, and Debt Service Coverage Ratio at 5.63x as on March 31, 2024. The adjusted total debt/EBITDA stood high at 4.32x as on March 31, 2024. 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 102 days as on 31st March 2024 as compared to 100 days as on 31st March 2023. The operating cycle is predominantly driven by the moderate debtor and inventory level during the same period. The debtor period stood at 64 days as on 31st March 2024 as compared to 52 days as on 31st March 2023. 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 45 days as on 31st March 2024 as compared to 57 days as on 31st March 2023. The company primarily maintains the inventory level to cater bulk orders. 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

- **Thin profitability margin with a declining trend**

  The profitability margins of the company are typically low owing to limited value addition in the buffalo meat processing business. The EBITDA margin of the company has declined to 3.86% in FY2024 from 4.62% in FY2023 on account of increase in the freight charges. Again, the PAT margin has decreased to 1.92% in FY2024 from 3.44% in FY2023, due to decrease in the tax rebate. The tax holiday in MAT reduced from 100% to 30% from FY2024, as the company has already availed the maximum exemption for the eligible 10 years on earlier occasion. Nevertheless, the EBITDA margin in 9MFY25 stood at 4.55% as compared to 4.33% in 9MFY24 while the PBT margin stood at 3.18% in 9MFY25 as compared to 3.23% in 9MFY24. Going forward, the improvement in the profitability margins of the company will be a key rating sensitivity.

- **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

Complexity level of rated Instruments/Facilities

Liquidity– Adequate

The company will maintain adequate liquidity position going forward due to consistently increased accruals. The steady net cash accruals stood at Rs. 25.76 Cr as on March 31, 2024, as against no such long-term debt repayment over the same period. The cash and bank balances of the company stood at Rs. 3.85 Cr as on March 31, 2024. Further, the current ratio stood comfortable at 1.86x as on March 31, 2024, and the quick ratio also stood comfortable at 1.30x as on March 31, 2024. However, the average fund-based limit utilisation remains high at around 94.19% over the twelve months ended February 2025. 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	Audited
Total Operating Income	903.07	1094.13
EBITDA	41.72	42.24
PAT	31.08	20.99
Total Debt	180.27	182.51
Tangible Net Worth	212.11	233.03
EBITDA Margin (%)	4.62	3.86
PAT Margin (%)	3.44	1.92
Overall Gearing Ratio (x)	0.85	0.78
Interest Coverage (x)	8.60	7.60

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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	(July 17, 2024)	(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)	Date(s) & Rating(s) assigned in 2021-22 (January 03, 2022)
1.	EPC/PCFC	Long Term	212.00	IVR A-/ Negative	IVR A-/ Stable	IVR A-/ Stable	IVR A- /Stable	IVR A-/ Stable	IVR A-/ Stable	IVR A-/ Stable
2.	Proposed EPC/PCFC	Long Term	19.00	IVR A-/ Negative	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 Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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

For more information and definition of ratings please visit www.infomerics.com.

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-/ Negative
EPC/PCFC II	-	-	-	-	42.00	IVR A-/ Negative
Proposed EPC/PCFC	-	-	-	-	19.00	IVR A-/ Negative

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-MashAgro-mar25.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.