



Press Release

Mash Agro Foods Limited

March 28 2023

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	161.00 (Including proposed amount Rs.11.00 crore)	IVR A-/ Stable (IVR Single A Minus with Stable outlook)	Reaffirmed	Simple
Total	161.00 (Rupees One Hundred and Sixty One crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation to the ratings assigned to the bank facilities of Mash Agro Foods Limited (MAFL) takes into account established track record of the company and extensive experience of the promoters in meat processing industry, strategic location of the plants, and healthy capital structure and comfortable financial risk. The ratings are, however constrained by declined in FY22 as compared to FY21 but stable in 9MFY23 as compare to 9MFY22, inherent business risks and regulatory risks and exposure and trade policies of importing countries, and highly competitive and fragmented industry.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations above 20%
- Improvement in EBITDA margin above 6.5%
- Sustenance of the overall gearing below 0.30x

Downward Factors

- Significant reduction in the scale of operations above 20% and profitability margins
- Deterioration in debt protection metrics and overall gearing above 1.00x
- Any un-envisaged debt funded capex undertaken by the company



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- Withdrawal of subordinated unsecured loan (treated as quasi-equity) amounting to Rs.10.10 crore either partially or fully, and/or moderation in the capital structure.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record of the company and extensive experience of the promoters in meat processing industry

The promoters have more than a three 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 UAE, Indonesia, and China etc. Further, the company started its operations in 2010 implying more than a decade long operational track record.

Strategic location of the plants

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

Healthy capital structure and comfortable financial risk

The company has a strong net worth of Rs.191.98 crore (including quasi equity) and a total debt of Rs.120.76 crore primarily comprising of short-term borrowings (mainly export packing credit) of Rs.114.49 crore to fund its working capital requirements. The company has minimal long-term debt. As such its overall gearing and TOL/ TNW ratios (based on net worth including unsecured loans from promoters as subordinated to the bank debt) were comfortable at 0.63x and 0.85x respectively as on March 31, 2022. The capital structure deteriorated marginally with overall gearing and TOL/ TNW ratios at 0.59x and 0.81x respectively as on March 31, 2021, due to increase in total debt. The debt protection metrics, namely interest coverage and total debt/ GCA ratios were moderate at 8.00x and 3.06x respectively in FY22 as compared to 9.64x and 2.25x respectively in FY21. In 9MFY23 the overall gearing and interest coverage ratios remained at similar levels.

Key Rating Weaknesses

Declined in FY22 as compared to FY21 but stable in 9MFY23 as compared to 9MFY22

In FY22 the total operating income (TOI) declined by 15.95% from Rs.1053.82 crore in FY21 to Rs.949.96 crore in FY22. The company derives around 90% of its revenue from the export



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of meat. The company's sales in March 2022 were impacted due to the Russian-Ukraine war, which was not anticipated by the company. Its profitability margins have remained range bound in FY20-22, with EBITDA margin in the range of 4.5-5.1% and PAT margin in the range of 2.5-3.4%. In FY22 the EBITDA margin was at 5.06% and PAT margin was 3.41%. In 9MFY23 the TOI was at Rs.727.21 crore as compared to Rs.712.05 crore in 9MFY22. The EBITDA margin improved marginally from 4.91% in 9MFY22 to 5.64% in 9MFY23 while the PAT margin improved from 3.42% in 9MFY22 to 4.23% in 9MFY23.

Inherent business risks and regulatory risks and exposure and trade policies of importing countries

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 like MAFL. However, any policy change can impact business. It exports processed meat to countries in the UAE, Indonesia, and China etc. Exports constitute 90% of the company's revenues. Products have to meet quality standards internationally and any change in policies in the importing country can also impact the business. The company is exposed to fluctuation in exchange rates. However, the firm hedges 100% of its export receivable exposure through forward contracts.

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.

Analytical Approach: Standalone

Applicable Criteria:

[Policy on Default Recognition](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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



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Liquidity: Adequate

The company had generated healthy cash accrual of around Rs.39.43 crore in FY22 as against minimal repayment obligation. Further, the company is also expected to generate steady cash accrual over the near medium term. The comfortable gearing position along with moderate cash balances also supports the liquidity to an extent. Cash and cash equivalents were Rs.16.48 crore as on March 31, 2022. The company does not have plans to undertake any capex during FY23-25. The average Utilisation of its fund based working capital limits was at 87.23% during the twelve months ended February 2023.

About the company

Mash Agro Foods Limited (MAFL) was incorporated on July 29, 2010, with its registered office at Kanpur, Uttar Pradesh. The company is promoted by Mr. Sajid Nadeem and Mr. Shahid Waseem. The company is engaged in the production and export of frozen halal boneless buffalo meat, apart from sale of allied products. The company has an APEDA registered integrated abattoir and meat processing plant in U.P. and Bihar with products being exported to international markets. Its production units are located at Bihar and Uttar Pradesh. The production capacity is 75,000 MTPA. The company is in 90% export-oriented sales. The company is ISO9001:2008, HACCP and FSSAI certified. The company sells raw hides, Animal fat and poultry feed supplement in the domestic market.

Financials (Standalone):

(Rs. crore)		
For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	1053.82	949.96
EBITDA	50.09	48.10
PAT	34.19	32.43
Total Debt	93.52	120.76
Adjusted Tangible Networth (including quasi equity)	159.44	191.98
Ratios		
EBITDA Margin (%)	4.75	5.06
PAT Margin (%)	3.24	3.41
Adjusted Overall Gearing Ratio (including quasi equity) (x)	0.59	0.63

*Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: Nil.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2022-23)			Date(s) & Rating(s) assigned in 2021-2022 (January 14, 2022)	Date(s) & Rating(s) assigned in 2020-21 (October 28, 2020)	Date(s) & Rating(s) assigned in 2019-20
		Type	Amount outstanding (Rs. Crore)	Rating			
1.	Fund Based Facility – EPC/PCFC	Long Term	150.00	IVR A-/ Stable	IVR A-/ Stable (January 14, 2022) IVR A-/ Stable	IVR A-/ Stable	-
2.	Fund Based Facility – EPC/PCFC	Long Term	11.00	IVR A-/ Stable	IVR A-/ Stable	-	-
3.	Fund Based Facility – Term Loan	Long Term	-	-	IVR A-/ Stable (January 14, 2022) IVR A-/ Stable (January 3, 2022)	IVR A-/ Stable	-
4	Short Term Fund Based Facility – OD	Short Term	-	-	IVR A2+ (January 14, 2022) IVR A2+ (January 3, 2022)	IVR A2+	-
	CC / EPC / FBP/ PCFC / EBR / CC ECL / CEL				-	IVR A-/ Stable	-
	OD / EPC / FBP/				-	IVR A2+	-



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		Type	Amount outstanding (Rs. Crore)	Rating			
	PCFC / EBR / CEL						

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About Infomerics:

Infomerics Valuation and Rating Private Limited (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.

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assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
EPC/PCFC	-	-		150.00	IVR A-/ Stable
Proposed EPC/PCFC	-	-	-	11.00	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-MashAgro-mar23.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.