

## Allanasons Private Limited (Revised)

October 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Short-term bank facilities	2,500.00 (Reduced from 3,512.60)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The rating assigned to the short-term bank facilities of Allanasons Private Limited (hereinafter referred to as 'APL' or 'the company') continues to derive strength from the long track record of the company in the processed food industry, especially the export of frozen buffalo meat, the well-spread international presence with a wide product portfolio, the long-standing relationship and business continuity with export customers and a stable operating performance during FY23 (FY refers to the period from April 01 to March 31) and Q1FY24 (Q1 refers to the period from April 01 to June 30). The improvement in the operational performance is driven by the stable demand for buffalo meat in export markets. The rating is also supported by APL's strong financial risk profile and strong liquidity position. CARE Ratings Limited (CARE Ratings) also considers the high susceptibility of livestock to animal diseases, the sensitivity to changes in government regulations and socio-political factors, and forex risk.

### Rating sensitivities

**Positive factors – Factors that could lead to positive rating action/upgrade:** Not Applicable

**Negative factors – Factors that could lead to negative rating action/downgrade:**

- Any adverse regulatory or global factors that may affect the regular business operations of the company, resulting in a sharp decline in sales lower than ₹6,000 crore on sustained basis.
- Any significant dilution in the existing shareholding or a significant deterioration in the company's liquidity profile.

**Analytical approach:** Standalone

**Outlook:** Not applicable

### Detailed description of the key rating drivers

#### Key strengths

##### Long track record of the group and experienced promoters as well as management

The Allana group, formed in 1865, is a leading player in various segments of the fast-moving consumer goods (FMCG; processed food) industry and is among one of the world's largest exporters of frozen halal buffalo meat, processed food stuffs, and agro commodities. APL was incorporated in 1973 and is managed by the Board, who are well supported by a qualified and experienced top management. One of APL's directors, Fauzan Alavi, is also the spokesperson of the All India Meat & Livestock Exporters Association.

##### Market leader in India in the export of buffalo meat; well-spread global presence with a wide product portfolio

APL is the largest exporter of frozen buffalo meat in India, holding a leading market share in the country. APL has a diverse basket of frozen foodstuff, mainly frozen buffalo meat (followed by mutton and fruit pulp, among others), constituting more than 80% of the sales over the past three years. The other products in the portfolio include coffee, oil seeds, spices, etc. Over the past three decades, APL has established its presence primarily in South-East Asia, Europe, Africa, the Middle East, and other regions, which contributed to more than 92% of the total sales.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Stable operating performance and export demand**

In FY23, India exported 1,175,869 metric tonne (MT) of buffalo meat products worth ₹25,648 crore (US\$ 3.19 billion), reporting a y-o-y increase of 0.1% in volume, which indicates that the demand for buffalo meat remained stable globally and the exports from India remained constant despite the Russia-Ukraine War. The value of the overall exports improved to ₹25,648 crore (US\$ 3.19 billion), albeit other challenges persisted on account of factors such as global container shortage, geopolitical crisis involving the Russia-Ukraine war, etc. Being a trading entity, the margins are inherently thin. The profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin increased to 4.81% in FY23 as compared to 2.35% in FY22. The margins were higher in FY23 as compared to the past trend due to a change in the business model of the company. We anticipate stable operating performance and comfortable margins for the company in the future.

**Long-standing relationships with customers**

APL has maintained long-term relationships with its distributors in the international markets. The company receives around 30-40% payment in advance from its customers, resulting into a lower collection period and the balance amount is received on a collection-against-documents (CAD) basis or letter of credit (LC). The company's clientele is financially strong, and in the past four years, APL has not provided for or written off any bad debts, even during difficult conditions during COVID-19. The long-standing relationships enables APL to get repeat orders from its existing customers.

**Strong financial risk profile**

The company has a strong financial risk profile with nil long-term debt, stable cash flow generation, and strong liquidity. The company had availed a short-term borrowing of ₹600 crore in FY23, which was utilised towards clearing the outstanding supplier dues and payables, which were mainly group companies engaged in food processing. APL has repaid ₹500 crore of the total debt (TD) and the current outstanding amount as on September 22, 2023, is ₹100 crore. APL's working capital cycle is supported by a flexible credit period from the suppliers, which are group entities. The liquidity profile is strong, with sizeable cash balances and undrawn bank lines. The company's financial stability is expected to remain robust.

**Key weaknesses****High susceptibility of livestock to diseases**

APL's total sales are mainly contributed by frozen buffalo meat. Given that there have been instances of buffalo diseases such as the foot and mouth disease (FMD) and Lumpy Skin Disease in the past that has affected the demand for bovine meat, APL's sales are thus exposed to this risk. Furthermore, the unorganised meat markets in India, the tropical climate, inadequate hygiene measures, and the lack of surveillance of animal-borne diseases can increase the risk of such hazards. However, the company owns state-of-the art integrated food processing plants, which fulfil the ISO 9001:2000 requirements. APL strictly follows laid-out procedures and has never faced any quality issues.

**Industrial risk factors**

The buffalo meat industry in India is exposed to domestic regulatory scenario, socio-political, economic scenario, and trade policies of importing countries. The buffalo meat processing industry in India is fragmented with the presence of large organised and unorganised players. The company is a net exporter, since the raw material is purchased locally, and earns majority of its income from exports (over 92%). As such, the company is exposed to the volatilities in the currency. Regarding forex hedging mechanism, APL's management has articulated that the company used to enter forward contracts on a need basis previously. However, currently, with the exchange rates favouring exporters, the company generally keeps the forex position open.

**Liquidity: Strong**

APL has a strong liquidity position with a cash balance of ₹614 crore as on FY23. The cash is maintained in current accounts with banks. The company does not have any long-term borrowings and rarely uses its short-term bank lines. Historically, the free cash balance maintained by APL has always been in excess of ₹900 crore.

**Environment, social, and governance (ESG) risks**

Not applicable

## Applicable criteria

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Manufacturing Companies](#)

[Policy on default recognition](#)

[Policy on Withdrawal of Ratings](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

In 1973, the Allana family established APL with a 100% promoter-holding. APL is the flagship company of the group and India's largest exporter of frozen and processed food products. The company is in the business of processing and exporting frozen halal buffalo meat, which is the key product (comprising over 80% of the total product portfolio). APL also deals in other products such as frozen mutton, coffee, fruit pulp, spices, agri products, etc. Exports contribute to more than 92% of the total sales of the company, spanning across more than 85 countries in Southeast Asia, the Middle East, Africa, and Europe. APL is headquartered in Mumbai, Maharashtra.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1 FY24 (UA)
Total operating income	8,135	8,724	2,248
PBILDT	191	420	NA
PAT	160	314	
Overall gearing (times)	0.00	0.36	
Interest coverage (times)	NM	43.82	

A: Audited; UA: Unaudited; NA: Not applicable. Note: The above results are the latest financial results available.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-EPC/PSC		-	-	-	1932.00	CARE A1+

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-EPC/PSC		-	-	-	421.50	CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	146.50	CARE A1+

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - ST-EPC/PSC	ST	1932.00	CARE A1+	-	1)CARE A1+ (10-Oct-22)	1)CARE A1+ (02-Nov-21)	1)CARE A1+ (05-Mar-21)
2	Non-fund-based - ST-BG/LC	ST	146.50	CARE A1+	-	1)CARE A1+ (10-Oct-22)	1)CARE A1+ (02-Nov-21)	1)CARE A1+ (05-Mar-21)
3	Fund-based - ST-EPC/PSC	ST	421.50	CARE A1+	-	1)CARE A1+ (10-Oct-22)	1)CARE A1+ (02-Nov-21)	1)CARE A1+ (05-Mar-21)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities**

Sr. No.	Financial Covenant	Detailed Explanation
1	External gearing	Should be $\leq 0.59x$
2	Total Debt/PBILDT	Should be $\leq 1.50x$

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-EPC/PSC	Simple
2	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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### About us:

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