

Press Release

Raj Apiaries Exim Private Limited

July 02, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.9.00 crore bank facilities of Raj Apiaries Exim Private Limited (RAEPL). The outlook is '**Stable**'.

Incorporated in 2010, RAEPL is engaged in processing and supply of honey. The product profile of the company includes natural honey and organic honey, which are sold in both the domestic as well as export markets. RAEPL procures raw honey directly from bee-keepers and traders from all over India. The manufacturing capacity of the unit is 30 metric tonnes per day.

The rating downgrade is in view of the lower than expected revenues and profitability which has led to deterioration in the financial risk profile.

Key Rating Drivers

Strengths

- **Experience management**

RAEPL incorporated in is promoted by Mr. Shailendra Kumar and Mrs. Parkhi Saroha who have been associated with the business for more than a decade. The experience of the promoters in the same line of business has helped the company maintain relations with its customers and suppliers.

- **Reputed clientele**

The company caters to reputed clients like Dabur, Yippee International, Vaidik Foods Pvt Ltd among others. Acuité believes that RAEPL will continue to benefit from its experienced management and longstanding relations with clients.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.4.27crore as on 31 March, 2017 as against Rs.3.77 crore a year earlier. The gearing has improved to 1.69 times as on 31 March, 2017 as against 2.13 times as on 31 March, 2016. The total debt outstanding of Rs.7.22 crore as on 31 March, 2017 comprises Rs.0.16 crore of term loan (which has already been repaid), Rs.1.44 crore as unsecured loans from Directors and Rs.5.62 crore of working capital borrowing from the bank. The Interest coverage ratio declined to 2.13 times for FY2017 as against 2.79 times for FY2016. The net cash accruals declined to Rs.0.64 crore in FY2017 against Rs.0.82 crore in the previous year. Acuité believes that going ahead, RAEPL will maintain a stable financial risk profile. RAEPL operates on a moderate scale with uneven revenue during the period FY2015-2018. The company reported a decline in the operating income from Rs.27.11 crore in FY2015 and Rs.30.81 crore in FY2016 to Rs.25.61 crore in FY2017. Further for FY2018 (Provisional), the company has reported a turnover of ~Rs.30.00 crore.

- **Working capital operations**

The company has working capital intensive operations marked by high gross current assets days of 171 for FY2017 as against 163 days in FY2016. The same is on account of high inventory holding period of 99 days in FY2017 as against 84 days in FY2016. Collection period for receivables stood

at 60 days for FY2017 as against 59 days in FY2016. The creditor days stood at 44 days in FY2017 as against 47 days in FY2016.

• **Highly fragmented and competitive industry**

RAEPL is mainly engaged in processing and supply of honey. The company operates in highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of RAEPL to arrive at the rating.

Outlook: Stable

Acuite believes that RAEPL will maintain a 'Stable' outlook and continue to benefit over the medium term from its experienced management and healthy relations with reputed clientele. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues while improving its profitability and working capital management. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to further deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	25.61	30.81	27.11
EBITDA	Rs. Cr.	1.47	1.67	1.52
PAT	Rs. Cr.	0.27	0.53	0.51
EBITDA Margin	(%)	5.75	5.41	5.59
PAT Margin	(%)	1.07	1.73	1.89
ROCE	(%)	9.43	12.65	26.35
Total Debt/Tangible Net Worth	Times	1.69	2.13	2.13
PBDIT/Interest	Times	2.13	2.79	2.69
Total Debt/PBDIT	Times	4.91	4.83	4.28
Gross Current Assets (Days)	Days	171	163	117

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
16-Jan-2018	Cash Credit	Long Term	5.90	ACUITE BB
	Term Loan	Long	0.40	ACUITE BB

		Term		
	Proposed Short Term Loan	Short Term	2.70	ACUITE A4+
12-Oct-2016	Cash Credit	Long Term	5.90	ACUITE BB / Stable
	Term Loan	Long Term	0.40	ACUITE BB / Stable
	Proposed Short Term Loan	Short Term	2.70	ACUITE A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.90	ACUITE BB- / Stable (Downgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.10	ACUITE BB- / Stable (Downgraded)

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About Acuité Ratings & Research:

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