



Press Release
SHAKTI APIFOODS PRIVATE LIMITED
December 26, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	127.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	5.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	132.00	-	-

Rating Rationale

ACUITE has assigned its long term rating of **"ACUITE BBB-"**(read as **ACUITE triple B minus**) and short term rating of **"ACUITE A3"**(read as **ACUITE A three**) on the Rs 132 Cr bank facilities of Shakti Apifoods Private Limited (SAPL). The Outlook is **"Stable"**.

Rationale for Rating

The rating assigned considers the established track record of the company for more than a decade in the processing and export of natural honey and established strong relationships with clients in the region where it exports, leading to repeated orders. The rating is further supported by moderate financial risk profile of the company marked by the moderate gearing and moderate debt protection metrics with debt-equity stood at 1.95 times as on 31 March, 2023 and DSCR stood at 1.57 times in 31 March, 2023. However, these strengths are partly offset by the customer and geographic concentration risk with more than 70 percent revenue contribution from clients of USA. Further, it considers the moderately intensive working capital cycle of the company with a high GCA days of 198 days as on 31st March 2023.

About the Company

Based in Punjab, Shakti Apifoods Private Limited (SAPL) was incorporated in 2009. SAPL is engaged in the processing and export of natural honey, Garlic & manufacturing of Industrial Paints & Powder. The company is directed by Mr. Jagdish Chand, Mr. Jai Gopal and Mr. Suresh Kumar.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the financial and business risk profile on standalone basis of Shakti Apifoods Private Limited.

Key Rating Drivers

Strengths

Experienced management and long track record of operation

The company engaged in export of honey mainly to USA, middle east and Europe. Currently the company is managed by Mr. Jagdish Chand, Mr. Jai Gopal and Mr. Suresh Kumar, who

has experience of more than a decade in this line of business. Further, the experience of the management has helped the company to maintain long-standing relationship with clientele.

The top-line comprises the revenue from diversified segments from honey, Garlic, Oil, paint. However, majority of revenue is from export of honey. Further, the EBITDA margins of the company are range bound and are in between 3-6% for the last three years through FY 2023 in line with other industry players in similar business.

Acuite believes that company will continue to benefit from its experienced management and a long standing relationships with reputed clientele.

Improvement in the operational performance

The company witnessed revenue of Rs.285.74 Crore in FY23 against Rs.275.86 Crore in FY22 and Rs.239.74 Crore in FY21. The increase in the revenue is on an account of increase in the production on y-o-y basis. Also, the margins of the company stood at 6.22% in FY23 against 3.82% in FY22. In FY23, the company focused upon better margins which have been exhibited in the operational profile of the company. Further, the PAT margins of the company have also improved which stood at 1.95% in FY23 against 0.63% in FY22. Also, the company have achieved the revenue of Rs.250 Crore till November 2023. Going forward, the company is expected to generate revenue in the range of 370 Crore in coming year supported by better margins.

Acuite believes the ability of the company to increase its scale of operations while maintaining profitability margins is a key rating sensitivity.

Moderate Financial Risk Profile

The financial risk profile of the company is moderate marked by net worth of Rs.43.93 crore as on 31st March 2023 against Rs.38.35 Crore as on 31st March 2022. The increase in the net-worth is on an account of accumulations of profits in reserves. Further, the total debt of the company stood at Rs.85.51 Crore as on 31st March 2023 against Rs.134.34 crore as on 31st March 2022. The total debt of Rs.85.51 Crore comprises long term debt of Rs.5.93 Crore, Unsecured loans of Rs.10.91 Crore (non-interest bearing) and Short term debt of Rs.68.67 Crore. Also, the gearing ratio of the company also improved which stood at 1.95 times as on 31st March 2023 against 3.50 times as on 31st March 2022. The gearing of the company has been improved on an account lower utilization short term debt in FY23 as compared to FY22. Further, Interest coverage ratio and debt service coverage ratio of the company stood at 2.23 times and 1.57 times respectively as on 31st March 2023 against 1.77 times and 0.82 times respectively as on 31st March 2022. The TOL/TNW ratio of the company stood at 2.95 times as on 31st March 2023 against 5.35 times as on 31st March 2022.

Acuite believes that financial risk profile of the company may continue to remain in the same range in near to medium term in absence of any debt funded capex plan.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the company are intensive marked by improved but high GCA days which stood at 198 days as on 31st March 2023 against 293 days as on 31st March 2022. The GCA days of the company are improved on an account of decrease in debtor days and inventory days which stood at 124 days 66 days respectively as on 31st March 2023 against 149 days and 117 days respectively as on 31st March 2022. The company need to keep inventory on higher side due to seasonality pattern. Further, SAPL is expected to keep inventory in same range only in near to medium term. On the other hand, the creditor days of the company stood at 62 days as on 31st March 2023 against 91 days as on 31st March 2022. Acuite believes that working capital operations of the company is likely to remain similar in near to medium term considering the inventory requirements due to seasonal nature of business.

Intense Competition and geographical concentration risk

The honey market is highly fragmented as a result of low entry barriers. The company's business-to-business (B2B) export and domestic segments are no longer as profitable. In addition, Company's profitability is constrained due to competition from major competitors like Dabur and other competitors in the B2C segment. Further, the company is facing geographical concentration risk as majority portion of the revenue is derived from USA. Hence, any change in dynamics of USA may impact the operational profile of the company.

Rating Sensitivities

- Improvement in scale of operation and profitability margin
- Utilization of working capital limits.

All Covenants

None.

Liquidity Position

Adequate

The Liquidity profile of the company is adequate. The company is able to generate sufficient net cash accruals against the debt repayment obligations in the same period. The company have generated net cash accruals of Rs.8.49 Crore as on 31st March 2023 against debt repayment obligation of Rs.2.32 Crore in the same period. Going forward, the company is expected to generate sufficient net cash accruals against debt repayment obligation in near to medium term. The current ratio of the company stood at 1.37 times as on 31st March 2023 against 1.19 times as on 31st March 2022. The unencumbered cash and bank balance of the company stood at Rs.1.45 Crore as on 31st March 2023 against Rs.4.48 Crore as on 31st March 2022. Further, the average bank limit utilization of the company stood moderate at 66.78% in last seven months ending September 2023.

Outlook: Stable

Acuité believes that SAPL 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.

Other Factors affecting Rating

Not applicable.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	285.74	275.86
PAT	Rs. Cr.	5.58	1.75
PAT Margin	(%)	1.95	0.63
Total Debt/Tangible Net Worth	Times	1.95	3.50
PBDIT/Interest	Times	2.23	1.77

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

Not applicable.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Assigned
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3 Assigned
Punjab National Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	117.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.32	ACUITE BBB- Stable Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.68	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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