Rating Rationale **24 Dec 2020**

Apis India Ltd.

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 78.00 Crores of Apis India Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
	Present		Present
Fund based	77.50	Long Term	**BWR BBB-** Outlook: Stable **[Assigned]**
Non Fund Based	0.50	Short Term	**BWR A3** **[Assigned]**
Total	78.00	INR Seventy Eight Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

RATING ACTION /OUTLOOK :-

BWR has assigned the long term and the short term ratings of **BWR BBB-/A3 (Stable)** for the bank loan facilities of Apis India Ltd (TIL). The ratings assignment is underpinned by significantly improved H1 performance in FY21 and healthy financial risk profile of the company with an upward growth curve.

The rating factors in the extensive experience of the promoter in the business, the company's established market position along with a geographically diversified client base in domestic as well as overseas market and a wide range of product spectrum.

Stable Outlook has been assigned in the view of growth in the total operating income with improved margins, comfortable tangible net worth and satisfactory interim performance in FY21.

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For assigning the rating, BWR has relied upon the last 3 years of audited financials till FY20, interim performance of FY21 and projections of FY21 and FY22, publicly available information and clarifications provided by management.

Key Rating Drivers

Credit Strengths:

- **Established market position and promoter experience in honey export business:** The promoters of Apis India Limited (AIL) have been in the business of honey for more than two decades. They have established strong relationships with various stakeholders in the business. They are one of the major exporters of honey from India with a market share of around 18% in exports. Apis is one of the largest exporters of honey from India to Gulf, Canada and USA. Apis's products are available across hyper markets, e-commerce platforms (including Amazon, Flipkart, Big basket, Grofers, DMart, Hyper City, More, Big Bazaar etc) and neighbourhood stores across the country. The company's product range comprises honey and value added honey, green tea ,jam ,pickles, dates ,date syrup, preserves like garlic paste, soups, macaroni, soya chunks, and peanut butter.

- **Healthy financial risk profile with an upward growth curve:** The company has a healthy financial risk profile which is reflected by a reasonable scale of operations, comfortable net worth, adequate gearing and debt protection metrics, despite a deterioration in indicators on y-o-y basis owing to decline in sales and profitability margins. Gearing stood at 0.85x in FY20. Debt coverage indicators (interest service coverage ratio and debt service coverage ratio) were adequate which stood at 2.44x and 1.94x respectively in FY20. Tangible net worth stood at ₹ 75.93 Crs in FY20.
  The company's turnover as on end September, 2020 stood at Rs. 135.56 crs vis-a-vis Rs. 99.51 crs of total operating income in the first 2 quarters of FY20. The turnover in FY21 as on end Q1 and end Q2 stood at Rs. 63.47 crs and Rs, 72.09 crs , respectively. In FY21, at the end of H1, the Ebitda for the company stood at Rs. 10.52 crs with PAT of Rs. 5.10 crs along with an operating profit margin of 7.76% and a net profit margin of 3.77%.The interim turnover of the company as on end november, 2020 stood at Rs. 183.32 crs and the company is expected to achieve the projected turnover of Rs. 280.26 Crs in FY21.

- **Growing awareness about health** :- Honey is a rich source of antioxidants and flavonoids which can reduce oxidative stress and inflammation in the body while protecting against heart diseases and cancer. In addition, the demand for honey in India is growing due to rising customer preference for natural and healthier alternatives to

- artificial sweeteners, greater awareness of the benefits of honey, as well as the growing popularity of various honey flavours. Furthermore, due to its proven antibacterial, anti-microbial, and anti-inflammatory properties, honey is anticipated to gain popularity in food and non-food applications throughout the world. Rising popularity of online retail stores, availability of a wide variety of honey products, and its health benefits are other major key drivers of the industry.

Credit Risks:

- **Working capital-intensive operations:** The cash conversion cycle as on March 31, 2020 stood at 176 days, which is expected to marginally elongate further to 194 days in FY21. This is because honey is procured during December-March, when the company also receives most of its orders. Hence, year-end receivables and inventory levels are high. This, along with limited credit from suppliers and modest cash accruals, has led to high dependence on short-term working capital debt.

- **Intense competition in the industry:** There are numerous players such as Dabur, Patanjali Ayurved Limited, Bharat Honey; etc along with a number of small as well as unorganized players who compete in the honey industry due to low entry barriers. AIL has to compete with a large number of players who operate in the same market and target the same customer base.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Upward: BWR may revise the ratings upward, in case of sustained improvement in total operating income and operating profitability while sustenance of working capital cycle below 200 days along with diversification of revenue from various products apart from honey.

Downward: BWR may revise the rating downward, in case of significant reduction in the operating income, deterioration in debt protection metrics (ISCR below 2x), elongation of working capital cycle, thereby impacting the credit profile of the company.

Liquidity Analysis (Adequate) :- In FY20, the company had generated an internal cash accrual of Rs. 5.30 Crs against which it did not owe any committed repayment obligation for any long term loans. In FY21,the company is estimated to generate Rs. 16.44 Crs of internal cash accruals with nil repayment obligations for the year.
The average total fund based limit utilization for the last 12 months stood at around 72% of the sanctioned limit. The current ratio stood at 1.41x in FY20 and is expected to marginally improve to 1.45x in FY21.

About the Company :- Apis India Limited (AIL), acquired by the late Mr. Deepak Anand and his family members in 2006, is currently headed by his son, Mr Amit Anand. The company, is listed on the Bombay Stock Exchange, mainly processes honey, which it sells in both the domestic and global markets. It sells honey and a few other products such as dates, ginger-garlic paste, pickles, and jam under its own brand Apis.

Key Financial Indicators

Key Parameters	Units	2019	2020
Result Type		**Audited**	**Audited**
Operating Revenue	Rs in Crs	**224.71**	**209.88**
EBITDA	Rs in Crs	**19.85**	**11.84**
PAT	Rs in Crs	**9.28**	**2.33**
Tangible Net worth	Rs in Crs	**73.59**	**75.93**
Total Debt/Tangible Net worth	Times	**0.89**	**0.85**
Current Ratio	Times	**1.49**	**1.41**

Rating History for the last three years (including suspended / withdrawn ratings)

S.No	Instrument /Facility	Current Rating (Dec, 2020)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Nov, 2019	2018	2017
1)	**Fund Based**	Long Term	77.50	**BWR BBB-** Outlook: Stable **[Assigned]**	**NA**	**NA**	**NA**
2)	**Non Fund Based**	Short Term	0.50	**BWR A3 [Assigned]**	**NA**	**NA**	**NA**
	Total		78.00	INR Seventy Eight Crores Only			

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

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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