

ACM Natural Products Private Limited

February 24, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|--|--------------------------------|-------------------------------|--|
| Long Term Bank Facilities | 1.78 (Reduced from 6.00) | CARE BB; Stable | Reaffirmed |
| Long Term / Short Term Bank Facilities | 40.00 (Enhanced from 25.00) | CARE BB; Stable / CARE A4+ | Upgraded from CARE BB; Stable / CARE A4 |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in short term ratings assigned to the bank facilities of ACM Natural Products Private Limited (ACM) factors in the improvement in the liquidity profile of the company with lower long-term debt obligations and cushion in working capital utilization.

The ratings continue to be constrained by the moderate scale of operations, presence in a highly competitive and fragmented industry, volatile profit margins due to seasonality associated with the raw materials. The ratings, however, draw strength from experienced promoters and their long track record in spices and extraction business, satisfactory profitability, and adequate infrastructure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in Liquidity position with reduction in utilization of Working Capital Limits
- Growth in Total operating income above Rs. 120 crores while maintaining PBILDT margins above 10%.

Negative factors

- Drop in income below Rs.50 crore on a consistent basis.
- Any large debt funded capex resulting in overall gearing above 4.50x.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that the company is likely to sustain its financial and operational performance in the medium term, on the back of the stable demand from its spice extracts and oleoresin products.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure

The capital structure of the company is leveraged albeit improved, marked by overall gearing at 2.00x as on March 31, 2024 (3.60x as on March 31, 2023) owing to moderate net worth of Rs. 15.95 crore. Due to working capital intensive nature of business, the short-term borrowings remain high which constitutes a major part of debt, followed by term loans. The debt protection metrics stood moderate with Total Debt/GCA at 3.45x as on March 31, 2024, albeit improved from 6.84 as on March 31, 2023. The company however had repaid majority of the term loan obligations during current year.

Moderate scale of operations

The total operating income (TOI) despite growth in the past 2-3 years stood moderate at Rs. 91.91 crores in FY24 (refers to period from April 01 to March 31). The company has been adding new customers to its portfolio coupled with repeat orders from existing clients thereby leading to increased sales volumes. During 9MFY25 (refers to April 01 to December 31), the company has reported operating income of ₹68.79 crore of revenue benefiting from the stable demand for turmeric extract products. The company is planning to introduce products from spices other than turmeric which shall lead to improvement in scale of operations, yet it is likely to remain comparatively moderate in the medium term.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

High competition and seasonal nature of commodity

Due to low entry barriers in the spice extraction industry, the company faces high competition from organised and unorganised players in the region. Further the primary raw material is the agro based commodity which are seasonal in nature which requires adequate stocking up of inventory to meet the demand throughout the year thereby leading to higher working capital intensity in operations. The PBILDT margin of the company has been volatile due to the raw material prices.

Key strengths

Experienced promoters with established track record of operation

ACM was founded by Mr. Shafeerali, currently the managing director who has extensive experience of over a decade in Turmeric trading and oil extraction. Mr. A.C. Muhammad (Father of Mr. Shafeerali) has over 3 decades of experience in the turmeric trading business. The Key promoter is assisted by other directors – Mr. Shibil Niyas, Mr. Rajhim Ismail, and Mr. Abdul Salam. The promoters have a broad understanding of the needs of its regional clients and the dynamics of the market in which they operate. The vast experience of the Promoter is expected to aid the company in achieving its envisaged growth in the medium term.

Healthy Profitability Margins although susceptible to volatility in Raw material prices

The PBILDT margins of the company stood healthy in the range of 8-10%. However, PBILDT margins significantly improved to 17.30% in FY24 from 10.71% in FY23 due to relatively lower prices raw material inventory held at the beginning of the year. The same had declined to 8.97% in 9mFY25 due to the increased raw material costs. A major portion of ACM's raw materials are agricultural commodities which are prone to seasonality and price fluctuations thereby can impact the profitability. To overcome the same, the company leverages the promoter's longstanding presence and established relationship with suppliers in the turmeric business to procure raw materials at optimal prices. The company also maintains long term relationship with suppliers and procures across the country, which ensures an uninterrupted supply of raw materials.

Liquidity: Stretched

The liquidity position of the company is stretched marked by high utilization of its working capital limits in excess of 85% for the last 12 months ending January 2025. ACM however had repaid majority of long-term debts and the accruals are expected to be sufficient to cover the minimal term loan obligations going forward. The cash and bank balance stood low at Rs 0.15 crore as on March 31, 2024 (P.Y: Rs. 0.62 crores). The overall operating cycle stood at 123 days in FY24 (PY: 96 days) marked by high inventory days, thereby increasing the dependence on working capital limits.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|----------------------------|----------------------------|---------------|---------------------|
| Fast Moving Consumer Goods | Fast Moving Consumer Goods | Food Products | Other Food Products |

ACM Natural Products Private Limited was incorporated on December 20, 2016, with registered office situated at Malappuram, Kerala. ACM is engaged in manufacturing and sale of turmeric based extracts such as powders, granules, oils, oleoresins and has its presence in domestic market. The Company was founded by Mr. Shafeerali, currently the Managing Director of the Company along with Mr. Shibil Niyas, Mr. Rajhim Ismail, and Mr. Abdul Salam. Mr. The promoters have over three decades of experience in the turmeric business. The company has total installed production capacity of 14700 MT/annum as on March 31, 2024

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | 9MFY25 (Prov.) |
|----------------------------|--------------------|--------------------|----------------|
| Total operating income | 83.68 | 91.91 | 68.79 |
| PBILDT | 8.97 | 15.90 | 6.17 |
| PAT | 2.75 | 7.00 | NA |
| Overall gearing (times) | 3.60 | 2.00 | NA |
| Interest coverage (times) | 2.99 | 4.86 | NA |

A: Audited, Prov.: Provisional; NA: Not available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL has conducted the review of ACM Natural Products Private Limited and classified the ratings into "Issuer Not Cooperating" category, based on best available information vide PR dated February 26, 2024. The reason provided by CRISIL is that the company has not provided the required information for review.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook |
|--|------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Fund-based - LT-Term Loan | | - | - | January 31, 2027 | 1.78 | CARE BB; Stable |
| Fund-based - LT/ ST-Working Capital Limits | | - | - | - | 40.00 | CARE BB; Stable / CARE A4+ |

Annexure-2: Rating history for 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 2024-2025 | 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 |
| 1 | Fund-based - LT/ ST-Working Capital Limits | LT/ST | 40.00 | CARE BB; Stable / CARE A4+ | - | 1)CARE BB; Stable / CARE A4 (13-Feb-24) | - | - |
| 2 | Fund-based - LT-Term Loan | LT | 1.78 | CARE BB; Stable | - | 1)CARE BB; Stable (13-Feb-24) | - | - |

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|--|------------------|
| 1 | Fund-based - LT-Term Loan | Simple |
| 2 | Fund-based - LT/ ST-Working Capital Limits | Simple |

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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