



Press Release

Indian Products Private Limited (IPPL)

October 05th, 2020

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term/Short Term Non-Fund Based Facilities	15.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook); IVR A3 (IVR Single A Three)
2.	Short Term Fund Based Facilities	150.00	IVR A3 (IVR Single A Three)
3.	Short Term Non-Fund Based Limits (Derivatives-Forward Contracts)	13.00	IVR A3 (IVR Single A Three)
	Total	178.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from established track record with experienced management, comfortable financial risk profile and diversified product portfolio of vast spices varieties. However, the rating strengths are partially offset by declining revenues coupled with modest profitability margins and exposure to commodity price fluctuation and forex risk.

Key Rating Sensitivities:

- **Upward Factor**
 - Substantial growth in the revenue and/or expansion in profitability while improving the working capital management.
 - Significant improvement in debt protection parameters
- **Downward Factor**
 - Non achievability of revenue and profitability as expected and/or further elongation of working capital cycle.

Key Rating Drivers with detailed description

Key Rating Strengths

- *Established track record with experienced management:*



Press Release

Indian Products Private Limited (IPPL) forms part of Karnataka based Jayanti Group and is currently managed by Mr. Ashwin Shah, Mr. Mahendra Shah, Ms. Komal Shah and Ms. Kruti Shah. The promoters of the Group have been engaged in the same industry for more than four decades and have an extensive operational track record in processing and exports of spices and de-cafeinated tea. The extensive experience of the promoters is also reflected through the established relationship with its customers and suppliers. IPPL enjoys established presence in the export markets and primarily derives its revenues from exports to the USA, UK and Europe.

The senior management team is ably supported by a experienced & qualified mid-level managers. IPPL shall benefit from the Group's established position, long track record of operations and established relations with its clients and suppliers.

- ***Comfortable financial risk profile:***

The Company's financial risk profile is comfortable marked by a healthy net worth and healthy debt protection metrics. Its net worth stood comfortable at INR69.39 Crore as on March 31st, 2020 (P) when compared to INR67.63 Crore as on March 31st, 2019 on account of accretion to reserves. Given the working capital requirements, its gearing stood modest at 1.42x as on March 31st, 2020 (P) as against 2.03x as on March 31st, 2019. To further support the business, the promoters have infused unsecured loans amounting to INR6.47 Crore as on March 31st, 2020 (P). The unsecured loans are considered as debt for the calculation of overall gearing. The debt protection metrics is marked by Interest Coverage at 2.55x in FY2020 (P) as against 1.92x in FY2019.

- ***Diversified product portfolio of vast spice varieties:***

IPPL has a diversified product portfolio of spices (whole and ground) like pepper, cumin, chilly, garlic, turmeric, etc. and is sold in bulk as well as value added form. It generates revenue from mixed/powdered spices and herbs under 'On1y' brand in the domestic market and undertakes retail private label sales for the domestic/export markets. Pepper, de-cafeinated tea and chilly are the major products offered. Diversified product profile along with geographical reach helps the Company in strengthening its business risk profile.

Key Rating Weaknesses

- ***Declining revenues and modest profitability margins:***



Press Release

The operating income of IPPL has declined to INR250.21 Crore in FY2020 (P) as against 306.49 Crore in FY2019, registering Y-o-Y decline of around 18 percent. The decline is majorly as its operations remain vulnerable to availability of agro-commodities and volatility in prices which impacts the price realization capacity of the specific product. The Company's profit margins remain modest, given the limited value addition involved in the spices processing business. Though the operating margin stood range bound at around 5% in the last two years, its net profit margins improved marginally at 0.55% in FY2020 (P) as against 0.38% in FY2019. Additionally, any adverse change in Government policies (related to exports/imports of certain commodities, export incentives/duty structure etc) may impact the company's revenue and profitability.

- ***Exposure to commodity price fluctuation and Forex risk:***

The commodity market exhibits high degree of volatility. Their prices depend on various parameters such as government policies, climatic conditions, global demand-supply dynamics among others. Any sharp deviation in these commodity prices can have a significant impact on the operations of players such as IPPL. Order backed procurement mitigates fluctuations in profits to an extent. Also, by virtue of IPPL primarily being an exporter and deriving maximum of its sales from overseas markets, the company is susceptible to any adverse forex movements. However, the risk is mitigated to an extent as the company hedges around 80 percent of its forex exposure under the forward cover contract.

Analytical Approach &Applicable Criteria:

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

As on March 31st, 2020, IPPL did not have any term debt on its books, hence there are no scheduled repayments in the short-medium term. The Company has long term debt exposure in the form of unsecured loans, which helps in supporting the working capital. The average



Press Release

monthly utilization of fund based limits stood at 66.61% for the last 12 months ended August 2020.

About the Company

Indian Products Private Limited (IPPL) is a Karnataka based company engaged primarily in processing and sales of spices like pepper, turmeric and chillies and also a certain portion of de-cafeinated tea. It has a track record of more than three decades in the processing and exports of spices. Spices are primarily sold in whole, crushed and powdered form in bulk. For its exports business, the Company is engaged into retail private label business, that is packaging is done in the customer's name as per the customer specifications. In the local market, the Company sells mixed/powdered spices and herbs under the retail brand 'On1y'.

Financials: (Standalone)

(INR Crore)

For the year ended/ As On*	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	322.82	306.49	250.21
EBITDA	22.61	15.06	12.52
PAT	0.60	1.15	1.38
Total Debt	167.94	137.26	98.78
Tangible Net-worth	66.10	67.63	69.39
EBITDA Margin (%)	7.00	4.91	5.00
PAT Margin (%)	0.19	0.38	0.55
Overall Gearing Ratio (x)	2.54	2.03	1.42

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term/Short Term Non-Fund Based Facilities	Long/Short Term	15.00	IVR BBB-/Stable; A3	--	--	--



Press Release

2.	Short Term Fund Based Facilities	Short Term	150.00	A3	--	--	--
3.	Short Term Non-Fund Based Limits (Derivatives-Forward Contracts)	Short Term	13.00	A3	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Team:

Name: Parth Dattani

Tel: (022) 62396023

Email: pdattani@infomerics.com

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term/Short Term Non-Fund Based Facilities	15.00	NA	NA	NA	IVR BBB-/Stable; A3
Short Term Fund Based Facilities	150.00	NA	NA	NA	A3
Short Term Non-Fund Based Limits (Derivatives-Forward Contracts)	13.00	NA	NA	NA	A3

Annexure 2: Facility wise lender details: [Lenders-IPPL-05-10-2020.pdf](#)