



## Press Release

### Immaculate Agro Spices Private Limited

**August 20, 2024**

#### Ratings

| Security / Facility                               | Amount<br>(Rs. crore)                                      | Current<br>Ratings  | Previous<br>Ratings | Rating Action | <a href="#">Complexity<br/>Indicator</a> |
|---|--|---|---------------------|---------------|--|
| Long Term Bank<br>Facilities – Cash Credit        | 10.00  | IVR BB+; Stable<br>(IVR Double B Plus<br>with Stable outlook) | -                   | Assigned      | Simple                                   |
| Short Term Bank<br>Facilities – Bank<br>Overdraft | 12.00  | IVR A4+<br>(IVR A Four Plus)                                  | -                   | Assigned      | Simple                                   |
| <b>Total</b>                                      | <b>22.00</b><br><b>(Rupees twenty-<br/>two crore only)</b> |   |                     |               |  |

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

The assignment of ratings to the bank facilities of Immaculate Agro Spices Pvt Ltd. considers the combined financials of Genuine Agro Spices (Proprietorship), Genuine Agro Spices (Partnership), Kanjiravelil Traders (Proprietorship), Immaculate Agro Spices Pvt Ltd., Kan Agro Spices (Partnership), Kanjiravelil Traders Pvt Ltd. and Genuine Spices (Partnership), commonly referred as Kanjiravelil Group hereafter. The ratings derive strength from the extensive experience of the promoters of Kanjiravelil group in spice trading business coupled with growth in scale of operations of the group over the years. The ratings also take into account the comfortable capital structure of the group, albeit moderate debt coverage indicators. However, these rating strengths are constrained due to thin profitability owing to trading nature of operations, exposure to agro climatic risk and exposure to intense competition.

The 'Stable' outlook indicates that the Kanjiravelil Group will continue to benefit on account of its experienced promoters and growing scale of operations.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial and sustained growth in operating income and profitability resulting in improvement in debt coverage indicators.
- Improvement in the capital structure



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### **Downward Factors**

- Any decline in scale of operation and/or profitability leading to deterioration of debt protection metrics.
- Moderation in the capital structure with moderation in overall gearing to over 2x

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Extensive experience of the promoters in spice trading business**

Kanjiravelil Group is based out of Kerala and is engaged in processing and trading of spices, primarily nutmeg. The group is promoted by Mr. Jenny Varghese along with his brother Mr. Jinu Varghese. The promoters of the group have been engaged in the spice trading business for over two decades and have an extensive operational track record in processing and trading of spices. The extensive experience of the promoters is also reflected in the established relationship with its customers and suppliers. The senior management team is ably supported by experienced & qualified managerial personnel.

##### **Growth in scale of operations; albeit thin margins owing to trading nature of business**

Total operating income (TOI) of the group increased at a CAGR of ~42% during FY2021-FY2024 (FY refers to the period from April 1 to March 31) with a y-o-y growth of ~18% from Rs.1700.13 crore in FY2023 to Rs.2000.56 crore in FY2024 (Prov.) driven by increase in demand for the products traded by the group primarily nutmeg. The group has been continuously focussing on increasing its scale of operations through expanding its geographies and establishing new collection centres, godowns and processing centres. At present, the group has ten collection centres, eleven godowns and fifteen processing centres across the state of Kerala. Despite increase in top line, operating margin though improved marginally from 1.57% in FY2023 to 2.01% in FY2024 (Prov.) has remained thin due to trading nature of business. However, on absolute terms, EBITDA increased from Rs.26.72 crore in FY2023 to Rs.40.30 crore in FY2024 (Prov.). PAT margin also remained thin at 0.35% in FY2024 (Prov.; 0.26% in FY2023) due to high interest cost owing of high utilisation of working capital borrowings. With increase in scale of operations, net cash accruals increased from Rs.4.97 crore in FY2023 to Rs.8.43 crore in FY2024 (Prov.). The group achieved a PBT margin of 0.75% on a top line of Rs.521 crore during Q1FY2025. The group's ability to sustain the scale of operations while striving to increase its profit margins will remain a key rating monitorable going forward.



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On a standalone basis, both top line as well as overall profitability of Immaculate Agro Spices Private Limited marginally improved and the company achieved a PAT of Rs.0.72 crore on a TOI of Rs.198.56 crore in FY2024 (Prov.) as against a PAT of Rs.0.56 crore on a TOI of Rs.158.85 crore in FY2023.

### **Comfortable capital structure with moderate debt coverage indicators**

The capital structure of the group improved marked by long term debt equity ratio and overall gearing of 0.06x and 1.05x respectively as on March 31, 2024 (Prov.), as against 0.16x and 1.13x respectively as on March 31, 2023 (considering subordinated unsecured loan from promoters and relatives to the tune of Rs.36.98 crore as on March 31, 2024, as quasi equity). The improvement in the capital structure is driven by subsequent accretion of profits to reserves. The group has a strong net worth base of Rs.256.84 crore as on March 31, 2024 (Prov.). Total indebtedness as reflected by TOL/ATNW remained comfortable at 1.89x as on March 31, 2024 (Prov.). Due to low level of profitability owing to its trading nature of business, the debt coverage indicators also remained moderate with ICR of 1.39x in FY2024 (Prov.) (1.33x in FY2023). Total debt to NCA remained high at 31.90x as on March 31, 2024 (Prov., 47.94x as on March 31, 2023). The group's ability to increase its profits thereby resulting in improvement in debt coverage indicators will be critical from credit perspective.

On a standalone basis, overall gearing stood moderate at 1.50x as on March 31, 2024 (Prov., 1.34 as on March 31, 2023) (considering subordinated unsecured loans from promoters to the tune of Rs.5.07 crore as on March 31, 2024, as quasi equity). Due to low level of profitability owing to the trading nature of business, the debt coverage indicators also remained moderate with ICR of 1.39x in FY2024 (Prov., 1.44x in FY2023).

### **Key Rating Weaknesses**

#### **Thin profitability**

The profitability of the group remained thin over the years due to its low value additive trading nature of operations. Despite the increase in top line, operating margin and PAT margin has remained thin at 2.01% (1.57% in FY2023) and 0.35% (0.26% in FY2023) respectively in FY2024 (Prov.).

On a standalone level, IASPL's PAT margin remained thin at 0.36% in FY2024 (Prov., 0.35% in FY2023).

#### **Exposure to agro-climatic risk and intense competition in the industry**



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Spices being an agro product is exposed to different climatic conditions with high correlation to timely and adequate monsoon. Further, production may be impacted by pests or crop infection leading to higher unpredictability in production and pricing of agro commodities and derived products. Hence, the business is exposed to risk of timely availability of its key raw materials. Further, the group faces intense competition from various small and medium processing units in the region due to less product differentiation and low entry barriers.

### **Analytical Approach: Combined**

For arriving at the ratings, INFOMERICS analytical team has combined the financials of Genuine Agro Spices (Proprietorship), Genuine Agro Spices (Partnership), Kanjiravelil Traders (Proprietorship), Immaculate Agro Spices Pvt Ltd., Kan Agro Spices (Partnership), Kanjiravelil Traders Pvt Ltd. and Genuine Spices (Partnership), commonly referred as Kanjiravelil Group hereafter as these entities have a common management team and have operational & financial linkages between the entities. Further, Immaculate Agro Spices Private Limited has provided corporate guarantee for a loan availed by Kanjiravelil Traders Pvt Ltd. List of entities considered for combined analysis is given at Annexure 4.

### **Applicable Criteria:**

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)

[Criteria – Complexity Level of Rated Instruments/Facilities](#)

[Consolidation of companies](#)

[Rating Methodology for Trading Companies.](#)

### **Liquidity – Adequate**

The liquidity of the group is expected to remain adequate marked by its sufficient expected gross cash accruals vis-à-vis its debt repayment obligation during FY25-FY27. The current ratio on a combined basis stood comfortable at 1.49x as on March 31, 2024 (Prov.). The promoters have also continuously supported the business operations by infusing capital from time to time (Capital infused by promoters at Group level stood at Rs.36.20 crore in FY2024, Rs.47.36 crore in FY2023, Rs.17.56 crore in FY2022 and Rs.46.74 crore in FY2021). Moreover, the group has free cash and cash equivalents to the tune of Rs.5.89 crore as on



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June 30, 2024, which is expected to support the liquidity profile of the group in the near to medium term.

### **About the Company**

Immaculate Agro Spices Private Limited was incorporated on January 23, 2017. The company is also involved in processing and trading of spices.

### **About the Group**

Kanjiravelil Group consists of seven entities - Genuine Agro Spices (Proprietorship), Genuine Agro Spices (Partnership), Kanjiravelil Traders (Proprietorship), Immaculate Agro Spices Pvt Ltd., Kan Agro Spices (Partnership), Kanjiravelil Traders Pvt Ltd., and Genuine Spices (Partnership). All the entities are located in Kochi, Kerala. These entities were formed specifically for the purpose of cultivating, sourcing, storing, processing, trading & exporting of agriculture produce. The Kanjiravelil Group has its major share of revenue coming from processing and sales of nutmeg. Other than nutmeg the group also deals with Cardamom, Pepper, Ginger, Black Pepper, Green Pepper, Turmeric, etc. Kanjiravelil group was promoted by Mr. Jenny Verghese along with his brother Mr. Jinu Varghese who have an experience of over two decades in trading and processing of spices. The group currently has ten collection centres, eleven godowns and fifteen processing centres across Kerala.

### **Financials (Standalone):**

| For the year ended* / As On                          | (Rs. crore)    |                    |
|--|----------------|--------------------|
|  | 31-03-2023     | 31-03-2024         |
|  | <b>Audited</b> | <b>Provisional</b> |
| Total Operating Income                               | 158.85         | 198.56             |
| Total Income   | 158.85         | 198.56             |
| EBITDA   | 2.58           | 3.91               |
| PAT  | 0.56           | 0.72               |
| Total Debt   | 22.12          | 25.84              |
| Adjusted Tangible Net worth (including quasi equity) | 22.12          | 25.84              |
| EBITDA Margin (%)                                    | 1.63           | 1.97               |
| PAT Margin (%)                                       | 0.35           | 0.36               |
| Overall Gearing Ratio (x)                            | 1.34           | 1.50               |
| Interest Coverage Ratio (x)                          | 1.44           | 1.39               |

*\*Classification as per Infomerics' standards.*

**Status of non-cooperation with previous CRA:** None

**Any other information:**

**Rating History for last three years:**





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| Sr. No. | Name of Security/Facilities | Current Rating (Year 2024-25) |                                |                | Rating History for the past 3 years     |                  |                                   |   |   |
|---------|-----------------------------|-------------------------------|--------------------------------|----------------|---|------------------|-----------------------------------|---|---|
|         |                             | Type (Long Term/Short Term)   | Amount outstanding (Rs. Crore) | Rating         | Date(s) & Rating(s) assigned in 2023-24 |                  |                                   | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
|         |                             |                               |                                |                | January 25, 2024                        | January 01, 2024 | April 20, 2023                    | -                                       | January 29, 2022                        |
| 1       | Cash Credit                 | Long Term                     | 10.00                          | IVR BB+/Stable | -                                       | -                | -                                 | -                                       | -                                       |
| 2       | Bank Overdraft              | Short Term                    | 12.00                          | IVR A4+        | IVR A4 and withdrawn                    | IVR A4           | IVR A4 (ISSUER NOT COOPERATING) * | -                                       | IVR A4 (ISSUER NOT COOPERATING) *       |

\* Issuer did not cooperate; based on best available information

### Analytical Contacts:

|   |   |
|---|---|
| Name: Harshita Gupta  | Name: Avik Podder   |
| Tel: (033) 46022266   | Tel: (033) 46022266   |
| Email: <a href="mailto:hdidwania@infomerics.com">hdidwania@infomerics.com</a> | Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a> |

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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### Annexure 1: Security/Facility Details

| Name of Facility/<br>/Security | ISIN | Date of<br>Issuance | Coupon<br>Rate/ IRR | Maturity<br>Date | Size of<br>Facility<br>(Rs. Crore) | Rating<br>Assigned/<br>Outlook |
|--------------------------------|------|---------------------|---------------------|------------------|------------------------------------|--------------------------------|
| Cash Credit                    | -    | -                   | -                   | -                | 10.00                              | IVR BB+/Stable                 |
| Bank Overdraft                 | -    | -                   | -                   | -                | 12.00                              | IVR A4+                        |

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Immaculate-AgroSpices-aug24.pdf>

### Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

### Annexure 4: List of entities considered for Combined analysis:

| Name of the Entity                    | Consolidation/Combined Approach |
|---------------------------------------|---------------------------------|
| Genuine Agro Spices (Proprietorship)  | Combined Approach               |
| Genuine Agro Spices (Partnership)     | Combined Approach               |
| Kanjiravelil Traders (Proprietorship) | Combined Approach               |
| Immaculate Agro Spices Pvt Ltd.       | Combined Approach               |
| Kan Agro Spices (Partnership)         | Combined Approach               |
| Kanjiravelil Traders Pvt Ltd.         | Combined Approach               |
| Genuine Spices (Partnership)          | Combined Approach               |

**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](http://www.infomerics.com).