Press Release

Indian Products Private Limited

January 18, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term/ Short Term Non-Fund Based Facilities	20.00	IVR BBB- / Negative Outlook; IVR A3 (IVR Triple B Minus with Negative Outlook; IVR A Three)	Reaffirmed. Outlook revised from Stable to Negative	Simple
Short Term Fund Based Facilities	210.00 (Increased from 185.00)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Short Term Non-Fund Based Limits (Derivatives-Forward Contracts)	15.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	**245.00**	**(Rupees Two Hundred and Forty-five Crore Rupees Only)**		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings continues to draw comfort from its established track record with experienced management, diversified product portfolio of vast spice varieties, range bound revenue and profitability margin and positive demand for Indian spices in the export markets leading to expected improvement in revenue.

However, the ratings remain constrained on account of moderate financial risk profile and exposure to commodity price fluctuation and forex risk.

The outlook for Indian Products Private Limited has been revised from stable to negative due to the expected deterioration in its credit risk profile in the near to medium term. This is on account of an increase in bank borrowings resulting from the company stocking higher in the projected years and the infusion of an unsecured loan of Rs. 16.56 crore in FY24 by the promoters.

Key Rating Sensitivities:

Upward Factors

- Substantial growth in the revenue and/or expansion in profitability while improving the working capital management.
- Significant improvement in capital structure and debt protection parameters.

Downward Factors

- Any substantial decline in revenue and profitability and/or further elongation of working capital cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record with experienced management

Indian Products Private Limited (IPPL) forms part of Karnataka based Jayanti Group and is currently managed by Ms. Varsha A Shah, Mr. Milan A Shah and Ms. Komal 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-caffeinated tea. The extensive experience of the promoters is also reflected through the established relationship with its customers and suppliers. IPPL enjoys an 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 experienced & qualified mid-level managers.

Diversified product portfolio of vast spice varities

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, decaffeinated tea and chilly are the major products offered. Diversified product profile along with geographical reach helps the Company in strengthening its business risk profile.

Range bound revenue & profitability margin

TOI of IPPL has slightly declined by 4% in FY23 i.e. from Rs. 377.93 Crore in FY22 to Rs. 363.61 Crore in FY23. The TOI decreased on account of decrease in sales quantity of its key products – mainly black pepper in FY23. Gross Cash Accrual of the company remain similar i.e. from Rs. 6.63 Crore in FY22 to Rs. 6.61 Crore in FY23.

The profitability margins of the company like EBITDA margin increased from 3.66% in FY22 to 4.08% in FY23 mainly due to reduction in cost of raw material consumed. However, PAT margin declined from 0.72% in FY22 to 0.41% in FY23 due to increase in interest cost.

Positive demand for Indian spices in the export markets leading to expected improvement in revenue.

India produces about 75 spices and accounts for half of the global trading in spices. The Covid-19 situation has improved the demand for Indian spices in the global market because of its immunity boosting properties. The global trend towards health-conscious consumption has heightened the appeal of spices for their potential health benefits in the global market due to their potential health benefits, significantly enhancing the potential for increased exports. The proposed export target is of $5 billion by 2025 and $10 billion by 2030. The outlook for the spice industry remains positive for the near future.

Key Rating Weaknesses

Moderate financial risk profile

The Company's financial risk profile is moderate. The Overall Gearing Ratio of the company as on 31-Mar-2023 is 2.00x (as on 31-Mar-2022: 2.21x). This improved due to lower utilisation of pre-shipment credit loan in FY23. The total indebtedness of the company as reflected by TOL/TNW is 2.80x as on 31-Mar-23 (as on 31-Mar-2022: 2.69x). This increased slightly due to increase in current liabilities as a result of increase in advance from customers. The debt protection metrics stood moderate marked by Interest Coverage Ratio of 1.50 times in FY23

(FY22: 2.27) and Debt Service Coverage Ratio of 1.59x in FY23 (FY22: 2.17x). Total Debt to GCA improved to 22.58 years in FY23 as against 24.26 years in FY22.

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: Standalone

Applicable Criteria:

- Rating Methodology for Manufacturing Companies
- Financial Ratios & Interpretation (Non-Financial Sector)
- Criteria of assigning rating outlook

Liquidity – Adequate

IPPL`s liquidity is adequate marked by expectation of sufficient cushion in cash accruals vis-à-vis its debt repayment obligations in FY23. The average working capital utilization for the last 12 months ended December 2023 stood at 65.59% for its fund-based limits and 6.54% for its non-fund based limits. The Current Ratio of the firm stood at 1.13x as on 31-Mar-2023 as against 1.19x as on 31-Mar-2022 and its operating cycle was 186 days in FY23 (151 days in FY22). The unencumbered cash and bank balance as on 30-September-2023 is Rs. 4.82 crore.

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-caffeinated tea. It has a track record of more than three decades in the processing and exports of herbs and 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):

(Rs. Crore)

For the year ended/As on*	30-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	377.93	363.61
EBITDA	13.82	14.83
PAT	2.72	1.50
Total Debt	160.80	149.33
Tangible Net Worth	72.87	74.84
Ratios		
EBITDA Margin (%)	3.66	4.08
PAT Margin (%)	0.72	0.41
Overall Gearing Ratio (x)	2.21	2.00

*Classification as per infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years				
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023 (March 31, 2023)	Date(s) & Rating(s) assigned in 2022-2023 (March 21, 2023)	Date(s) & Rating(s) assigned in 2021-2022 (Dec 22, 2021)	Date(s) & Rating(s) assigned in 2020-2021 (Oct 05, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term/ Short Term Non-Fund Based Facilities	Long Term / Short Term	20.00	IVR BBB-/Negative; IVR A3 (IVR Triple B Minus with Negative Outlook; IVR A Three)	IVR BBB-/Stable; IVR A3 (IVR Triple B Minus with Stable Outlook; IVR A3)	IVR BBB-/Stable; IVR A3 (IVR Triple B Minus with Stable Outlook; IVR A3)	IVR BBB-/Stable; IVR A3 (IVR Triple B Minus with Stable Outlook; IVR A3)	IVR BBB-/Stable; IVR A3 (IVR Triple B Minus with Stable Outlook; IVR A3)	-
2.	Short Term Fund Based Facilities	Short Term	210.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	-
3.	Short Term Non-Fund Based Limits (Derivatives-Forward Contracts)	Short Term	15.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	-

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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.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term/ Short Term Non-Fund Based Facilities	-	-	-	20.00	IVR BBB-/Negative; IVR A3
Short Term Fund Based Facilities	-	-	-	210.00	IVR A3
Short Term Non-Fund Based Limits (Derivatives-Forward Contracts)	-	-	-	15.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-IndianProducts-jan24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.