



## Press Release

### Indian Products Private Limited (IPPL)

December 22, 2021

#### Ratings

Instrument/ Facility	Amount (INR. Crore)	Ratings	Rating Action
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)	Reaffirmed
Short Term Fund Based Facilities	150.00	IVR A3 (IVR Single A Three)	Reaffirmed
Short Term Non-Fund Based Limits (Derivatives-Forward Contracts)	13.00	IVR A3 (IVR Single A Three)	Reaffirmed
<b>Total</b>	<b>178.00</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of the rating continues to derive strength from established track record of the promoters along with experienced management, comfortable financial risk profile, diversified product portfolio of vast spices varieties and range bound revenue & EBITDA margin. However, the rating strengths are partially offset by 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**

- 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 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



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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 experienced & qualified mid-level managers.

- **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 INR70.61 Crore as on March 31<sup>st</sup>, 2021 when compared to INR68.98 Crore as on March 31<sup>st</sup>, 2020 on account of accretion of profits to reserves. Given the working capital requirements, its gearing stood modest at 1.58x as on March 31<sup>st</sup>, 2021 as against 1.43 as on March 31<sup>st</sup>, 2020. Interest coverage ratio is also comfortable at 2.60x as on March 31, 2021 (FY20: 2.61x).

- **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, 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 & EBITDA margin**

The company revenue remains range bound between INR300.00 crore – INR330.00 crore in the last 4 years ended FY21. The revenue is expected to improve in FY22 as it has achieved revenue of around INR183.00 crores in IHFY22 (IHFY21: INR146.00 crore) The Company's profit margins remain modest, given the limited value addition involved in the spices processing business. Average EBITDA margin remains at around 5% in last 4 years ended FY21 and expected to remain at the same level in the projected period. 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.

### Key Rating Weaknesses

- **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.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

**Liquidity: Adequate**

The liquidity position of the Company remained adequate due to sufficient cushion in gross accruals vis-à-vis repayment obligations. The company maintains unencumbered cash and bank balances of INR2.25 Crore as on March 31st, 2021. Furthermore, the current ratio stood 1.28x as on March 31st, 2021. IPPL's utilization of the bank limits was stood at around 76.00% for the 12 months ended October 2021.

**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 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)**

<b>For the year ended* / As On</b>	<b>31-03-2020 (Audited)</b>	<b>31-03-2021 (Audited)</b>
Total Operating Income	250.51	328.09
EBITDA	12.59	11.97
PAT	1.23	1.69
Total Debt	98.78	111.32
Tangible Net Worth	68.98	70.61
<b>Ratios</b>		
EBITDA Margin (%)	5.03	3.65
PAT Margin (%)	0.49	0.51
Overall Gearing Ratio (x)	1.43	1.58

\*Classification as per Infomerics' standards.

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

**Any other information:** N.A.



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### Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (October 05, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1	Long Term/Short Term Non-Fund Based Facilities	Long/Short Term	15.00	IVR BBB-/Stable; IVR A3	IVR BBB-/Stable; IVR A3	--	--
2	Short Term Fund Based Facilities	Short Term	150.00	IVR A3	IVR A3	--	--
3	Short Term Non-Fund Based Limits (Derivatives-Forward Contracts)	Short Term	13.00	IVR A3	IVR A3	--	--

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### 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.

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### 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	--	--	--	15.00	IVR BBB-/Stable; IVR A3
Short Term Fund Based Facilities	--	--	--	150.00	IVR A3
Short Term Non-Fund Based Limits (Derivatives-Forward Contracts)	--	--	--	13.00	IVR A3

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Indian-Products-lenders-dec21.pdf>

**Annexure 3: List of companies considered for consolidated analysis: Not Applicable**

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

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr. No.	Instrument	Complexity Indicator
1	LC/BG	Simple
2	Packing Credit	Simple
3	Forward Contract	Simple

**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).