Indian Products Private Limited

March 21, 2023

Ratings:

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term/ Short Term Non-Fund Based Facilities	15.00	IVR BBB- / Stable Outlook; IVR A3 (IVR Triple B Minus with Stable Outlook; IVR A Three)	Reaffirmed	Simple
Short Term Fund Based Facilities	185.00 (Increased from 150.00)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Short Term Non-Fund Based Limits (Derivatives-Forward Contracts)	13.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
Proposed Short Term Facility	3.00 (Increased from 0.00)	IVR A3 (IVR A Three)	Assigned	Simple
Total	**216.00**	**(Rupees Two Hundred and Sixteen Crore Rupees Only)**		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Indian Products Private Limited (IPPL) continues to draw comfort from its established track record with experienced management, diversified product portfolio of vast spice varieties, increase in scale of operations and positive demand for Indian spices in the export markets leading to expected improvement in revenue.

However, the ratings strengths are partially offset by rangebound profitability margins, moderate financial risk profile and exposure to commodity price fluctuation and forex risk.

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. 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-caffeinated 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 experienced & qualified mid-level managers.

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.

Increase in scale of operations albeit rangebound profitability margin

TOI of IPPL has increased Y-o-Y by 16% in FY22 i.e. from Rs. 326.41 Crore in FY21 to Rs. 377.93 Crore in FY22. The TOI increased on account of increase in sales quantity and sales realisation of its key products in FY22. Gross Cash Accrual of the company increased Y-o-Y by 17% i.e. from Rs. 5.69 Crore in FY21 to Rs. 6.63 Crore in FY22.

The profitability margins of the company like EBITDA margin is at similar level in FY22 i.e. at

3.66% in FY22 (FY21: 3.67). PAT margin improved by 20bps in FY22 i.e. from 0.52% in FY21 to 0.72% in FY22. This improved on account of increase in non-operating income and creation of deferred tax asset in FY22.

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

India is the largest exporter of spice and spice items. For the year 2021-22, the country exported spices US$4102.23 million. In Sep`22, the exports of spices from India increased by 6.62% to US$330.46 million. In September 2022, the exports of spices from India increased by 6.62% to US$ 330.46 million. In 2021-22, India exported 1.53 million tonnes of spices. From 2017-18 to 2021-22, the total exported quantity from India grew at a CAGR of 10.47%. For FY22, total volumes of chilli, cumin, turmeric and ginger exports were 0.55, 0.21, 0.15 and 0.14 million tonnes.

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 new found emphasis in the global market on the immunity boosting properties of food items greatly flavors spices with significant potential to boost 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.

B. 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-2022 is 2.21x (as on 31-Mar-2021: 1.58). This deteriorated due to increase in debt in FY22. The total indebtedness of the company as reflected by TOL/TNW is 2.69x as on 31-Mar-22 (as on 31-Mar-2021: 2.08). The debt protection metrics stood moderate marked by Interest Coverage Ratio of 2.27 times in FY22 (FY21: 2.60) and Debt Service Coverage Ratio of 2.17x in FY22 (FY21: 2.25x). Total Debt to GCA stood moderate at 24.26 years in FY22 as against 19.57 years in FY21.

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 Facilities

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 the next 3 years. The average working capital utilization for the last 12 months ended January 2023 stood at 86% for its fund-based limits and 9% for its non-fund based limits. The Current Ratio of the firm stood at 1.19x as on 31-Mar-2022 as against 1.26x as on 31-Mar-2021 and its operating cycle was 151 days in FY22 (157 days in FY21). The unencumbered cash and bank balance as on 31-Mar-2022 is Rs. 1.76 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	2021	2022
	Audited	Audited
Total Operating Income	326.41	377.93
EBITDA	11.97	13.82
PAT	1.69	2.72
Total Debt	111.32	160.80
Tangible Net Worth	70.61	72.87
EBITDA Margin (%)	3.67	3.66
PAT Margin (%)	0.52	0.72
Overall Gearing Ratio (x)	1.58	2.21

* Classification as per Infomerics` standards

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dec 22nd, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term/ Short Term Non-Fund Based Facilities	Long Term/ Short Term	15.00	IVR BBB- / Stable Outlook; IVR A3	IVR BBB- / Stable Outlook; IVR A3	--	--
2.	Short Term Fund Based Facilities	Short Term	185.00	IVR A3	IVR A3	--	--
3.	Short Term Non-Fund Based Limits (Derivatives-Forward Contracts)	Short Term	13.00	IVR A3	IVR A3	--	--
4.	Proposed Short Term Facility	Short Term	3.00	IVR A3	--	--	--

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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	-	-	-	15.00	IVR BBB- / Stable Outlook;

Based Facilities					IVR A3
Short Term Fund Based Facilities	-	-	-	185.00	IVR A3
Short Term Non-Fund Based Limits (Derivatives-Forward Contracts)	-	-	-	13.00	IVR A3
Proposed Short Term Facility	-	-	-	3.00	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-mar23.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.