



Press Release

Immaculate Agro Spices Private Limited

December 03, 2020

Rating

Sl. No	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Short Term Bank Facilities	2.85	IVR A4+ (IVR A Four Plus)	Assigned
	Total	2.85 (Rupees Two Crore and Eighty Five Lakhs only)		

Details of Facilities are in Annexure 1.

Detailed Rationale

The rating assigned to the bank facilities of Immaculate Agro Spices Pvt Ltd (IASPL) considers the common management team and operational & financial linkages between IASPL and its group concerns, Kanjiravelil Traders (KT), Genuine Spices (GS) & Genuine Agro Spices (GAS). Infomerics has taken a consolidated view of these entities referred together as Kanjiravelil group. The rating takes into account the extensive experience of the promoters, growth in scale of operations with improvement in the debt protection metrics and positive demand outlook for Indian spices. However, these rating strengths are partially offset by intense competition in the industry, thin profit margins, exposure to agro-climatic risks and leverage capital structure of the group.

Rating Sensitivities:

Upward Factors:

- Sustained improvement in scale of operations, revenues and profit margins
- Improvement in capital structure with improvement in overall gearing ratio to below 1.2x with improvement in debt protection metrics and improvement in liquidity

Downward factors:

- Decline in scale of operation and/or profitability
- Moderation in the capital structure with overall gearing ratio gone below 2.5x and/or deterioration in debt protection parameters
- Elongation in operating cycle impacting the liquidity profile



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive industry experience of the promoters**

The promoters of the group have an experience of over two decades in spices trading industry. The extensive experience of the promoters and their understanding of dynamics of the industry will continue to support the business risk profile.

- **Growth in scale of operations with improvement in the debt protection metrics**

The combined total operating income of the group witnessed growth at a healthy CAGR of ~34% over the past three fiscals (i.e. FY18-FY20) with a y-o-y growth of about ~20% mainly driven by increase in sales volume and sales realisations with steady demand of its products. Despite growth in its revenue, profit margins of the group remained thin owing to inherent low value additive nature of the trading segment with intense competition in the operating spectrum. The debt protection metrics of the group also improved gradually over the past three fiscals and the interest coverage ratio stood at 1.75x in FY20 (Prov.) [1.51x in FY19]. During H1FY21, the group has achieved a combined revenue of ~Rs.232 crore.

- **Positive demand outlook for Indian spices**

The exports of Indian spices and spice products surged to Rs. 21,515 Cr and a volume of 11,83,000 tons during the 2019-20 season as compared to Rs. 19,506 Cr and 11,00,250 tons during 2018-19, despite stiff competition in the international market. The Covid-19 situation has improved the demand for Indian spices in the global market because of its immunity boosting properties. The outlook for the spice industry remains positive for the near future.

Key Rating Weaknesses

- **This profit margins**

Being in trading segment marked by low value addition and less differentiation in products the profit margins of the group remained thin with the EBITDA margin in the range of 2-2.5% and PAT margin in the range of 0.4-0.7% respectively during the past three fiscals ended in FY20.



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- **Intense competition in the industry**

The company faces intense competition from various small and medium processing units in the region due to less product differentials and low entry barriers. The competition continues to rise given the increasing demand for spices in both domestic and international markets. The impact of the competition on profitability and bargaining power continues to exist.

- **Exposure to agro-climatic risk**

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.

- **Leveraged capital structure**

The capital structure of the group though improved gradually with improvement in the leverage ratios over the years continued to remain moderate marked by the overall gearing at 1.83x as on March 31, 2020 (3.35x as on March 31, 2019). Total indebtedness off the group though improved also remained moderate at 2.76x as on March 31, 2020 (Prov.) [4.87x as on March 31, 2019].

Analytical Approach: Consolidated. For arriving at the ratings, INFOMERICS analytical team has combined the financials of Genuine Agro Spices, Genuine Spices, Kanjiravelil Traders and Immaculate Agro Spices Pvt Ltd. commonly referred as Kanjiravelil Group as these entities have a common management team and operational & financial linkages. The lists of entities considered for consolidation are given in Annexure 2.

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity: Adequate

The liquidity of the group is expected to remain adequate marked by its expected gross cash accruals in the range of ~Rs.8-12 crore as compared to its debt repayment obligations in the range of ~Rs.1.5-4crore during FY21-23. The group has an adequate current ratio at 1.52 times as on March 31,2020 (Prov.). The average CC utilisation stood moderate at ~87% for the 12 months ending October 2020 indicating moderate cushion.

About the company

Immaculate Agro Spices Pvt Ltd. was incorporated in the year 2017 in Ernakulam (Dist) Kerala. Mr. Jenny Varghese & Mrs. Geeba Jenny are the directors of the firm.

About the group

Kanjiravelil Group comprises Genuine Agro Spices, Kanjiravelil Traders, Immaculate Agro Spices Pvt Ltd and Genuine Spices. Kanjiravelil Traders was setup in 2006 as proprietorship firm by Mr. Jenny Varghese Genuine Spices was setup as a partnership firm promoted by Mr. Jenny Varghese & Mr. Jinu Varghese in 2010. Immaculate Agro Spices Pvt Ltd. was incorporated 2017 with Mr. Jenny Varghese and Mrs. Geeba Jenny as the director of the company. All these entities are involved in trading of various spices like nutmeg, pepper, ginger, cardamom, etc. The major business which the group carries out is procuring spices from farmers and traders, put them in their own brand name and carry out trading of same.

Financials: Combined

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Combined	Combined
Total Operating Income	390.67	469.31
EBITDA	9.08	11.33
PAT	1.82	3.11
Total Debt	67.49	71.33
Tangible Net worth	20.17	38.98
EBITDA Margin (%)	2.33	2.41
PAT Margin (%)	0.47	0.66
Overall Gearing Ratio (x)	3.35	1.83

**Classification as per Infomerics' standards.*



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Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	51.50	61.53
EBITDA	0.41	0.87
PAT	0.30	0.43
Total Debt	2.40	2.88
Tangible Net worth	0.54	1.22
EBITDA Margin (%)	0.80	1.42
PAT Margin (%)	0.58	0.70
Overall Gearing Ratio (x)	4.48	2.36

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NIL.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	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.	Overdraft	Short Term	2.85	IVR A4+	-	-	-

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.

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About Infomerics:

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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
Short Term Fund Based Limits- Overdraft	-	-	-	2.85	IVR A4+

Annexure 2

Name of the Entity	Consolidation Approach
Genuine Agro Spice (GAS)	Full consolidation
Genuine Spices (GS)	Full consolidation
Kanjiravelil Traders (KT)	Full consolidation
Immaculate Agro Spices Pvt Ltd.(IASPL)	Full consolidation

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/lender-ias.pdf>