Indian Products Private Limited

March 13, 2025

Ratings

Instrument / Facility	**Amount (Rs. crore)**	**Current Ratings**	**Previous Ratings**	**Rating Action**	**Complexity Indicator**
Long /Short Term Bank Facilities	20.00	IVR BBB-/Stable; IVR A3 and Withdrawn (IVR Triple B minus with Stable Outlook; IVR A Three and Withdrawn)	IVR BBB-/Negative; IVR A3 (IVR Triple B minus with Negative Outlook; IVR A Three)	Rating reaffirmed and outlook revised from Negative to Stable and simultaneously withdrawn	**Simple**
Short Term Bank Facilities	225.00	IVR A3 and Withdrawn (IVR A Three and Withdrawn)	IVR A3 (IVR A Three)	Rating reaffirmed and simultaneously withdrawn	**Simple**
Total	**245.00**	**(Rs. Two hundred and forty-five crores only)**			

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

Infomerics Ratings has reaffirmed the long-term rating of IVR BBB- and revised the outlook from negative to Stable and IVR A3 for the short-term facilities and simultaneously withdrawn the ratings assigned to bank loan facilities of Indian Products Private Limited (IPPL). The above action has been taken at the request of IPPL and 'No Objection Certificate' and 'No due Certificate' received from all the bankers who have extended the rated facilities. The rating is being withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.

The ratings have been reaffirmed, taking into consideration its established track record with experienced management, diversified product portfolio of vast spice varieties, increase in revenue and profitability margin. Also, the ratings take advantage from comfortable financial risk profile and positive demand for Indian spices in the export markets leading to expect more improvement in revenue. However, the ratings remain constrained on account of exposure to commodity price fluctuation and forex risk with elongated operating cycle.

The 'Stable' outlook reflects Infomerics Ratings expectation increase in scale of operations and profitability. Infomerics believes the company will continue to benefit from its operational track record in the business will result in increased scale of operations.

Infomerics Ratings has principally relied on the standalone audited financial results of IPPL up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities: Nil

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record with experienced management

Indian Products Private Limited (IPPL) is part of the Jayanti Group, based in Karnataka. It is currently managed by Ms. Komal Shah. The promoters of the group have been in the spice and decaffeinated tea industry for over 40 years, with a history in processing and exporting these products. Their experience has helped build strong relationships with customers and suppliers. IPPL has a presence in export markets, with its main revenue coming from exports to the USA, UK, and Europe. The senior management team is supported by skilled and experienced mid-level managers.

Diversified product portfolio of vast spice varieties

IPPL offers a range of whole and ground spices like pepper, cumin, chili, garlic, and turmeric, sold in bulk and value-added forms. It generates revenue from the "On1y" brand in the domestic market and private label sales for both domestic and export markets. Key products include pepper, decaffeinated tea, and chili, helping the company reduce business risks through its diverse portfolio and global reach.

Improvement in operating income and profitability margins

The total operating income of the company registered an y-o-y growth of 41.41% in FY24 and stood at Rs. 514.19 Crore in FY24 as against Rs. 363.61 crore in FY23. The TOI increased on account of increase in sales quantity and sales realisation of its key products in FY24. EBITDA improved from Rs. 14.83 Crore in FY23 to Rs. 23.13 Crore in FY24. EBITDA margin improved by 42 bps from 4.08% in FY23 to 4.50% in FY24. The Company's profit margins remain range bound, given the limited value addition involved in the spices processing business. Average EBITDA margin remains at around 4.08% in last 3 years ended FY24. PAT improved from Rs. 1.50 crore in FY23 to Rs 6.99 crore in FY24. The PAT margin increased by 94 bps from 0.41% in FY23 to 1.35% in FY24 in line with the EBITDA margin. Gross cash accruals improving from Rs 6.61 crore in FY23 to Rs. 11.89 crore in FY24.

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

India produces around 75 spices and contributes to half of the global spice trade. The demand for Indian spices has increased globally due to their immunity-boosting properties, especially after Covid-19. This focus on health benefits has the potential to boost exports. The export target is $5 billion by 2025 and $10 billion by 2030, with a positive outlook for the spice industry in the near future.

Comfortable financial risk profile

The capital structure remained comfortable as on March 31, 2024. The long-term debt to Net worth and overall gearing stood at 0.08x and 1.69x as on March 31,2024 as against 0.15x and 2.00x, respectively as on March 31,2023. The total indebtedness of the company as reflected by TOL/TNW improved and stood at 2.25x as on March 31, 2024, as against 2.80x as on March 31, 2023, driven by decrease in other liabilities as a result from advance from customers. Total debt to NCA improved from 22.58 years in FY23 to 13.96 years in FY24 due to an increase in NCA. Debt protection metrics stood moderate with Interest coverage ratio improved and stood at 1.97x in FY24 as against 1.50x in FY23. Debt service coverage indicators stood at 1.60x in FY24 as against 1.64x in FY23.

Key Rating Weaknesses

Exposure to commodity price fluctuation and Forex risk

The commodity market is highly volatile, with prices influenced by factors like government policies, climate, and global supply-demand dynamics. Significant price fluctuations can impact companies like IPPL. However, order-backed procurement helps reduce profit fluctuations. As an exporter, IPPL is also exposed to forex risks, but it mitigates this by hedging about 80% of its forex exposure through forward cover contracts.

Elongated operating cycle

IPPL's operating cycle has decreased but stood elongated from 178 days in FY23 to 139 days in FY24 due to an increase in collection period from 26 days in FY23 to 40 days in FY24 with decrease in inventory period from 164 days in FY23 to 112 days in FY24.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Criteria on assigning rating outlook
Policy on Default Recognition and Post-Default Curing Period
Complexity Level of Rated Instruments/Facilities
Financial Ratios & Interpretation (Non- Financial Sector)
Policy on withdrawal of ratings

Liquidity – Adequate

The company's liquidity is adequate marked by expectation of sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has Current Ratio of 1.27x as of March 31, 2024. The Unencumbered cash and bank balance of company stood at Rs. 13.82 Crores as on 31st March 2024. The average utilisation of fund-based limits stands moderate at 67.69%, during the past 12 months ended Feb'25. IPPL's operating cycle has decreased but stood elongated from 178 days in FY23 to 139 days in FY24 due to an increase in collection period from 26 days in FY23 to 40 days in FY24 with decrease in inventory period from 164 days in FY23 to 112 days in FY24.

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*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	363.61	514.19
EBITDA	14.83	23.13
PAT	1.50	6.99
Total Debt	149.33	165.97
Tangible Net Worth	74.84	98.24
EBITDA Margin (%)	4.08	4.50
PAT Margin (%)	0.41	1.35
Overall Gearing Ratio (x)	2.00	1.69
Interest Coverage (x)	1.50	1.97

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Rating (Year 2024-25)			Rating History for the past 3 years			
		Type (Long Term/Short Term)	**Amount outstanding (Rs. Crore)**	**Current Rating**	**Date(s) & Rating(s) assigned in 2023-24**	**Date(s) & Rating(s) assigned in 2022-23**		**Date(s) & Rating(s) assigned in in 2021-22**
				March 12, 2025	**(January 18, 2024)**	**(March 31, 2023)**	**(March 21, 2023)**	**(Dec 22, 2021)**
1.	Long Term / Short Term Bank Facilities	Long Term / Short Term	20.00	IVR BBB-/ Stable; withdrawan; IVR A3 Withdrawn	IVR BBB-/Negative; IVR A3	IVR BBB-/Stable; IVR A3	IVR BBB-/Stable; IVR A3	IVR BBB-/Stable; IVR A3
2.	Short Term Bank Facilities	Short Term	225.00	IVR A3; Withdrawn	IVR A3	IVR A3	IVR A3	IVR A3

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term / Short Term Bank Facility – LC / BGs	-	-	-	-	20.00	IVR BBB- (stable) withdrawn ; IVR A3 Withdrawn
Short Term Bank Facility – EPC	-	-	-	-	210.00	IVR A3; Withdrawn
Short Term Bank Facility – Derivatives	-	-	-	-	15.00	IVR A3; Withdrawn

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Indian-Products-mar25.pdf

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

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.