

Indian Products Private Limited

Instruments	Amount	Ratings Action
	Rs Crore	
LT Fund-based Sub-limits	(45.00)	[ICRA]BBB- (Stable) / Reaffirmed
ST Fund-based Limits	165.0	[ICRA]A3 / Reaffirmed
ST Non-fund Based Limits	28.0 (increased from 25.75)	[ICRA]A3 / Reaffirmed

ICRA has reaffirmed the long-term rating outstanding on the Rs. 45.0-crore fund-based sub limits of Indian Products Private Limited ("IPPL" / "the company") at [ICRA]BBB- (pronounced as ICRA triple B minus)¹. The outlook on the long-term rating is 'stable'. ICRA has also reaffirmed the short-term rating outstanding on the Rs 165.0-crore fund-based facilities and the Rs 28.0-crore (increased from Rs 25.75 Crore) non-fund based facilities at [ICRA]A3 (pronounced ICRA A three).

Rating Rationale

ICRA has taken a consolidated view of the two companies in the group – Indian Products Private Limited (IPPL), and General Commodities Private Limited (GCPL) – to arrive at the ratings, considering the common management team and the presence of strong operational linkages among the entities.

The reaffirmation of ratings take into account the company's steady operational and financial performance during the recent past, characterised by strong growth in volumes and revenues witnessed during FY2016 and the relatively stable margins. The group has recorded healthy revenue growth during FY2016, primarily spurred by the sharp growth in black pepper export volumes from India. While the revenues have continued to depend on black pepper (amongst the key reasons for the decline in margins witnessed with pepper being a relatively low value-added product), the increasing focus on branded spices, increasing product diversification and sustainable development initiatives taken by the company are likely to help in the steady growth in revenues over the medium term. The ratings also consider the established presence of the group in the spice business for over six decades, its diversified product base across spices and de-caffeinated tea and established customer base spread across markets. While the revenues/earnings remain exposed to issues concerning availability and also volatility in prices of raw materials (as against competing nations including Vietnam), improving product diversification, coupled with strong infrastructure base to meet the stringent export standards and regular engagement with farmers to ensure quality produce and availability are expected to support earnings over the medium term.

The ratings also factor in the relatively high levels of gearing and moderate coverage indicators, owing to the high working capital intensity in the business, characterised by the seasonal availability of raw materials. Volumes and earnings also remain exposed to the inherent commodity price risks owing to the intense competition limiting pricing flexibility, where order-backed purchases and effective hedging mechanisms mitigate price risk to an extent. The company's ability to sustain its growth in revenues and earnings and also improve its capitalisation levels and liquidity position through optimising inventory levels would be critical and remain key rating sensitivities.

Company Profile

Indian Products Private Limited (IPPL) was incorporated in 1980 at Kolkata, and has its registered office in Bangalore. IPPL has two manufacturing units in Coimbatore district (Kinathukadavu and Trade Centre), Tamil Nadu and one in Walayar, Kerala. IPPL was initially involved in processing and selling of tea and black pepper for over two decades and has extended its product profile to other tropical spices such as ginger, pepper, turmeric, and chillies in the recent past. Spices are exported in whole, crushed and powdered form in bulk as well as in consumer packs as per customer specifications. The company is also into export of tea in de-caffeinated form.

¹ For complete rating scale and definitions, please refer to ICRA's Website www.icra.in or other ICRA Rating Publications

IPPL and GCPL (General Commodities Private Limited) are a part of the Jayanti Group, founded by Mr. Jayantilal Shah in 1940. It is a closely-held group with its presence in spice, tea, and coffee processing and export, and enjoys an established presence in Europe and the US, aided by its strategic alliances with leading regional players in the respective markets. The group has its manufacturing facility in Coimbatore, Walayar and Ahmedabad for processing of spices and tea. The group has also entered into the branded spices and herbs business with their own brand "ON1Y", which uses a range of innovative, ready to use blends and packing styles. Apart from the two operating companies in India, the group also has entities operating out of the US and the EU, which market products sourced from the Indian companies.

Recent results

The company has reported net profit of Rs.0.9 crore on an operating income of Rs.401.9 crore during the fiscal ending March 31, 2016. The company had reported net profit of Rs.4.8 crore on an operating income of Rs. 305.1 crore during the previous fiscal, ending March 31, 2015 (where the net profit also included a one-time non-operating income from sale of its stake in a group entity).

August 2016

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