

Press Release

Plant Lipids Private Limited (PLPL)

11 August, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.525.89 Cr
Short Term Rating	SMERA A1+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the short term rating of '**SMERA A1+**' (read as SMERA A one plus) on the Rs.525.75 crore bank facilities and assigned short term rating of '**SMERA A1+**' (read as SMERA A one plus) on the Rs.0.14 crore bank facilities of Plant Lipids Private Limited (PLPL). SMERA has also withdrawn the long-term rating of 'SMERA AA-' (read as SMERA double A minus) on the Rs.2.14 crore bank facility as there are no dues outstanding in the account as certified by the banker.

PLPL was incorporated in 1979 to manufacture spice oleoresins, spice oils and ground spices. The company, headquartered in Cochin, is headed by Mr. C J George. PLPL is a government recognised export house. It has seven manufacturing facilities spread across four states with a combined capacity of 6,855 MTPA for spice oils and 46,800 MTPA for spice oleoresins.

List of Key Rating Drivers and their detailed description

Strengths:

Established position in spice oils and oleoresins: PLPL is engaged in the manufacture of spice oleoresins since 1979 and is one of the largest exporters of the same from India. The company benefits from the extensive experience of its management and its diversified customer and geographic base. The top 10 customers constituted ~28 per cent of the total sales in FY2016-17. Further, the sales are diversified across geographies including Asia, North America and Europe.

SMERA believes that PLPL will continue to benefit from its established position in the market and experienced management.

Healthy financial risk profile: PLPL has healthy financial risk profile marked by tangible networth of Rs.444.76 crore. The gearing increased from 0.46 times as on 31 March, 2015 to 0.72 times as on 31 March, 2016 majorly on account of increase in working capital requirements. The total debt of Rs.318.92 crore as on 31 March, 2016 comprises working capital funding of Rs.317.21 crore and term loan. The term loan has been repaid as on date. The total debt increased to Rs.402 crore as on 31 March, 2017 (Provisional). PLPL advanced loans amounting to Rs.22.13 crore to group entities as on 31 March, 2016 which increased to Rs.83.41 crore as on 31 March 2017 (Provisional). The adjusted gearing after factoring in loans and advances to group entities stands at 0.75 times as on 31 March, 2016 and 0.91 times as on 31 March, 2017 (Provisional). PLPL has a robust interest coverage ratio. The net cash accruals to total debt stood at 20.55 times and 0.22 times in FY2015-16 as against 19.99 times and 0.27 times in FY2014-15. SMERA believes that PLPL will sustain its healthy financial risk profile on the back of healthy cash accruals and absence of debt funded capex plans.

Healthy business risk profile: PLPL registered healthy revenue growth of ~12 per cent in FY2016-17 over the previous year. Revenues stood at Rs.951.32 crore (provisional) in FY2016-17 as against Rs.845.73 crore in the previous year. The operating margins marginally improved from 10.08 per cent in FY2014-15 to 10.38 per cent in FY2015-16. Further, as per provisional financials, operating margins stood at 11.00 per cent in FY2016-17. The company has healthy net cash accrals of Rs.69.91 crore in FY2015-16 and Rs.89.40 crore in FY2016-17 (Provisional) without term debt obligations.

SMERA believes that PLPL will maintain a healthy business risk profile on the back of healthy order book position and established market presence.

Weaknesses

Working capital intensive operations: PLPL's operations are working capital intensive. The working capital cycle is around 200 days due to high inventory holding on account of seasonal procurement of raw materials. The bank limit utilisation has been around 96 per cent for six months ended April 2017.

SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Susceptibility to changes in government regulations and exposure to forex fluctuation risk: PLPL's profit margins are susceptible to volatility in raw material prices. Further, with around 76 per cent of revenue being generated from export sales, the company is exposed to foreign exchange fluctuation risk. PLPL is also susceptible to changes in government regulations under the Biological Diversity Act, 2012. Introduction of a new tax structure under the act may impact the profitability of the company.

Analytical approach: SMERA has considered the standalone business and financial risk profile of PLPL to arrive at the rating.

About the Rated Entity – Key Financials

For FY2015-16, PLPL registered profit after tax (PAT) of Rs.59.29 crore on operating income of Rs.845.73 crore as against PAT of Rs.39.24 crore on operating income of Rs.602.94 crore in the previous year. The net worth stood at Rs.444.76 crore as on 31 March, 2016 compared to Rs.386.15 crore as on 31 March, 2015. As per provisional financials for FY2016-17, PLPL registered profit after tax (PAT) of Rs.78.63 crore on operating income of Rs.951.32 crore.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History (Upto last three years):

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20 June, 2016	Bill Purchase/Bill Discounting	Short Term	196.00	SMERA A1+ (Assigned)
	Packing Credit/Packing Credit in Foreign Currency	Short Term	195.00	SMERA A1+ (Assigned)
	Term Loan	Long Term	2.14	SMERA AA-/Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	0.25	SMERA A1+ (Assigned)
	Letter of Credit	Short Term	5.50	SMERA A1+ (Assigned)

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
PC/PCFC	N.A.	N.A.	N.A.	300.00	SMERA A1+ (Reaffirmed)
Term Loan	N.A.	N.A.	N.A.	2.14	SMERA AA- /Stable (Withdrawn)
Bill purchase/ discounting	N.A.	N.A.	N.A.	220.00	SMERA A1+ (Reaffirmed)
Letter of credit	N.A.	N.A.	N.A.	5.50	SMERA A1+ (Reaffirmed)
Bank guarantee/ Letter of Guarantee	N.A.	N.A.	N.A.	0.25	SMERA A1+ (Reaffirmed)
Proposed Short term facility	N.A.	N.A.	N.A.	0.14	SMERA A1+ (Assigned)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Rating Operations Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Vinita Rodrigues Sr. Manager – Corporate Ratings Tel: 022-67141115 Email: vinita.rodrigues@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.