

Press Release

Plant Lipids Private Limited

November 15, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 545.75 Cr.
Short Term Rating	ACUITE A1+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the short term rating of '**ACUITE A1+**' (**read as ACUITE A1 Plus**) to the Rs.525.89 crore bank facilities. Further, Acuité has also assigned the short term rating of '**ACUITE A1+**' (**read as ACUITE A1 Plus**) to the Rs.19.86 crore bank facilities of Plant Lipids Private Limited (PLPL).

The rating reaffirmation reflects sustenance of its business risk profile despite competitive business environment in the overseas markets, and healthy financial risk profile supported by healthy gearing, liquid investments of about Rs.50.0 crore and moderate cash accruals with no repayment obligations. The ratings take into cognizance the sharp dip in the profitability owing to severe decline in realisations and raw material costs due to high production volumes; also owing to higher operating costs to handle higher volume of operations to sustain the revenues. The ratings also factor in intensive working capital operations and higher working capital requirements.

Plant Lipids Private Limited (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 manufacturing facilities spread across Kerala, Karnataka, Telangana and Sri Lanka with a combined capacity of 6,855 MTPA for spice oils and 46,800 MTPA for spice oleoresins.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of the PLPL along with two wholly owned subsidiaries, three step down subsidiaries and three associates due to operational and financial linkages to arrive at this rating. All the entities are herein referred to as PLPL or PLPL group.

Key Rating Drivers

Strengths

- **Established Track record of operations and experienced management**

PLPL is promoted by C.J George and Mr. John George Nechupadom with around four decades of experience in the spice oleoresins industry. The company was incorporated in 1979 and was gradually expanded to the present total capacity of 6855 metric tons per annum (MTPA) for spice oils and 38,585 MTPA for spice oleoresins at its plants situated across South India and Sri Lanka.

PLPL has a competent management supported by a team of well qualified and experienced second line personnel. The promoter's experience in spice oleoresins industry has helped the company build healthy relationship with its suppliers and customers, to ensure a steady raw material supply and large offtake. PLPL has two wholly owned subsidiaries: Plant Lipids Lanka (Pvt) Ltd, Sri Lanka (PLPL Sri Lanka) and Plant Lipids UK Limited, UK (PLPL UK). PLPL Sri Lanka is engaged in processing of pepper oleoresins and oils. PLPL UK is marketing arm. Further, PLPL UK has three step down subsidiaries: Plant Lipids Latinoamerica S.A de C.V, Mexico, Plant Lipids Europe GMBH, Germany, and PT. Plant Lipids Indonesia, Indonesia.

PLPL has few associate entities, namely, Plant Lipids (Thailand) Co., Ltd., Thailand, Blue Ridge Realtors Pvt. Ltd., India and FF Bioworks (India) Pvt. Ltd., India. All the step down subsidiaries are marketing arms of PLPL UK. Out of the major revenues of the group, about 85 percent are from

flagship entity PLPL and rest is from PLPL Sri Lanka and others. PLPL supports its group entities either by giving interest bearing advances, or extending corporate guarantee for their loan facilities for the business operations.

- **Healthy financial risk profile**

PLPL's financial risk profile is marked by healthy gearing (debt-to-equity) and comfortable debt protection metrics. The gearing has been improving from 0.73 times as on March 2016 to 0.60 times as on March 2018 due to accretion to reserves. Net worth has remained comfortable at Rs.619.97 crore due to accretion to reserves. PLPL's moderate net cash accruals and debt has led to comfortable NCA/TD and interest coverage ratio of 0.18 times and 7.19 times in FY2018 vis-à-vis 0.24 times and 21.61 times in FY2017, respectively. The cash accruals stood at Rs.65.51 crore in FY2018 and are expecting to generate cash accruals of about Rs.70.00 crore over the medium term, against nil repayment obligations which leads to expected improvement in its financial risk profile over the medium term.

Weaknesses

- **Intense working capital operations**

PLPL has intense working capital operations as evident from Gross Current Assets (GCA) of 267 days as on March 31, 2018 as against 258 days as on March 31, 2017. The intense GCA days were mainly due to high inventory days and moderate debtor levels. The inventory days are high at 141 in FY2018, since the company maintains inventory levels of 4 months due to seasonal nature of the raw material procurement. The debtors stood at 70 days as on March 31, 2018 and provides credit period of 90 days to its customers. Intense working capital management has led to high utilisation of working capital limits over the past six months ended August 2018 to the extent of 80 percent. Acuité believes that the working capital operations of the company will remain intense as evident from stocking high inventory levels in the business.

- **Vulnerability of profit margins to agro-climatic risks and competition**

The operating margins of PLPL remain vulnerable to agro-climatic risks and competition in the segment. Profitability has been on a declining trend from 11.61 percent in FY2016 to 8.47 percent in FY2018 on account of a steep decline in realisation. Profitability is likely to remain constrained with any impact of decline in realisation of products due steep fall in raw materials.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	1097.79	1158.18	964.55
EBITDA	Rs. Cr.	92.94	127.43	111.97
PAT	Rs. Cr.	37.22	86.18	71.14
EBITDA Margin (%)	(%)	8.47	11.00	11.61
PAT Margin (%)	(%)	3.39	7.44	7.38
ROCE (%)	(%)	7.47	14.45	26.91
Total Debt/Tangible Net Worth	Times	0.60	0.73	0.72
PBDIT/Interest	Times	7.19	21.61	12.44
Total Debt/PBDIT	Times	3.58	2.87	2.77
Gross Current Assets (Days)	Days	267	258	240

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Aug-2017	Packing Credit	Short Term	300.00	ACUITE A1+ (Reaffirmed)
	Term Loan	Long Term	2.14	ACUITE AA- / Stable (Withdrawn)
	Bills Discounting	Short Term	220.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	5.50	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	0.25	ACUITE A1+ (Reaffirmed)
	Proposed Short Term Loan	Short Term	0.14	ACUITE A1+ (Assigned)
20-Jun-2016	Bills Discounting	Short Term	196.00	ACUITE A1+ (Assigned)
	Packing Credit	Short Term	195.00	ACUITE A1+ (Assigned)
	Term Loan	Long Term	2.14	ACUITE AA- / Stable (Assigned)
	Bank Guarantee	Short Term	0.25	ACUITE A1+ (Assigned)
	Letter of Credit	Short Term	5.50	ACUITE A1+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	100.14	ACUITE A1+ (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	19.86	ACUITE A1+ (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A1+ (Reaffirmed)
Pre/Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE A1+ (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A1+ (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1+ (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A1+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A1+ (Reaffirmed)

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About Acuité Ratings & Research:

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