

Press Release

Plant Lipids Private Limited

November 28, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	388.00	-	ACUITE A1+ Assigned
Bank Loan Ratings	427.00	-	ACUITE A1+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	815.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the short-term rating at '**ACUITE A1+**' (read as **ACUITE A one plus**) on the **Rs. 427 Cr bank facilities** of Plant Lipids Private Limited (PLPL).

Further, Acuite has assigned short term rating of '**ACUITE A1+**' (read as **ACUITE A one plus**) on the Rs. 388.00 crore bank facilities of PLPL.

Rationale for reaffirmation

The rating reaffirmation takes into account the substantial improvement in revenue from Rs. 1,461.56 Cr in FY2021 to Rs. 2,223.50 Cr in FY2022 (provisional). The sales quantity increased to 52,653 MT in FY2022 (provisional) from 22,204 MT in FY2021 due to capacity addition of 150 metric tonnes per day at Khammam plant. Further, the rating also factors the healthy financial risk profile marked by debt to equity of 0.55 times as on March 31, 2022 (provisional). In addition, capital expenditure of Rs. 45.00 Cr shall be incurred to enhance the capacity at Shiggon, Karnataka by 100 metric tonnes per day, thereby increasing the revenue by Rs. 500 Cr in FY2023.

However, the rating is sensitive to the susceptibility of profit margins to fluctuating raw material prices marked by operating margin of 10.77 percent in FY2022 (provisional) against 14.92 percent in FY2021 and 18.23 percent in FY2020. Nonetheless, the margins remain higher than the pre-covid levels. Additionally, the group is exposed to fluctuation in exchange rates since 70-75 percent revenue is earned through exports. Besides due to seasonality, the operations of the group are working capital intensive marked by working capital cycle days in the range of 177-203 through FY2020-22.

About the Company

Plant Lipids Private Limited (PLPL) was incorporated in 1979 to manufacture spice oleoresins, spice oils and ground spices. Mr. C J George the chairman and Mr. John George Nechupadom the managing director together manage the operations of the company, headquartered in Cochin. PLPL is a government recognized export house. It has

manufacturing facilities spread across Kerala, Karnataka, Telangana and Sri Lanka with a capacity of 11,500 MTPA for Ground Spices and combined capacity of 1,05,426 MTPA for spice oleoresins and Spice oils.

Analytical Approach

Acuité has considered the consolidated 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 here in referred to as the PLPL group. Extent of Consolidation: Full.

Name of the Company	Relationship
Plant Lipids Lanka (Pvt.) Ltd., Sri Lanka	Subsidiary
Plant Lipids UK Limited	Subsidiary
Plant Lipids Latinoamerica, S.A. de C.V.	Subsidiary of Plant Lipids UK Limited
Plant Lipids Europe GMBH	Subsidiary of Plant Lipids UK Limited
PT. Plant Lipids Indonesia	Subsidiary of Plant Lipids UK Limited
Koenen Extrakte GmbH	Associates of Plant Lipids Europe GmbH
Plant Lipids (Thailand) Co. Ltd	Associate
Blue Ridge Realtors Private Limited	Associate
FF Bioworks Private Limited	Associate

Key Rating Drivers

Strengths

- **Experienced management:**

PLPL is promoted by C.J George and Mr. John George Nechupadom with around four decades of experience in the spice oleoresins and oil industry. The company was incorporated in 1979 and was gradually expanded to the present total capacity of 11,500 MTPA for Ground Spices and combined capacity of 1,05,426 MTPA for spice oleoresins and Spice oils 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 group 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 90 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:**

The financial risk profile of the group remains healthy marked by healthy net worth, low debt and healthy coverage indicators. The net worth increased to Rs. 1120.09 Cr as on March 31, 2022 (provisional) against Rs. 975.08 Cr as on March 31, 2021. The group earned an aggregate net profit of Rs. 188.63 Cr. Further, the aggregate debt increased to Rs. 613.29 Cr as on March 31, 2022 against Rs. 257.18 Cr. The increase in debt is on account of improved scale of operations, the revenue of the group increased by 52 percent in FY2022 (provisional). Despite increased debt, the group continues to follow a conservative leverage policy

marked by peak debt to equity of 0.55 times as on March 31, 2022 (provisional). The coverage indicators remain healthy with interest coverage ratio (ICR) and debt service coverage ratio (DSCR) at 45.54 times and 36.30 times as on March 31, 2022 (provisional).

- **Improving revenue along with stable operating margins:**

The revenue of the group increased from Rs. 1461.56 Cr in FY2021 to Rs. 2223.50 Cr in FY2022 (provisional). The group added an additional capacity of 150 metric tonne per day at Khammam thereby increasing the aggregate sales quantity to 52,653 MT in FY2022 (provisional) against 22,204 MT in FY2021. The major products include Chilli, Papprika, Turmeric, Black pepper and Ginger. These products cumulatively contribute 80-85 percent to the revenue. However, the profitability of the group stood at 10.44 percent against 14.92 percent due to increase in raw material prices. The cost of raw material accounted for ~77 percent as a proportion of revenue against ~72 percent in the previous year.

The group has already invested Rs 86 Crs in the year 2021-22 mainly for investing its expansion of CO2 extraction plant and continuous extraction plant at Kolencherry. Further, the group intends to incur an additional capex of Rs. 45.00 Cr for enhancing existing facilities at Shiggon, Karnataka by 100 MT per day in FY2023 as part of the PLI scheme of Ministry of Food Processing which shall be funded through internal accruals. This additional capacity shall further increase the revenue by Rs. 500 Cr.

Weaknesses

- **Working capital intensive nature of operations:**

PLPL has working capital intense nature of operations as evident from Gross Current Assets (GCA) days of 281 as on March 31, 2022 (provisional) as against 241 as on March 31, 2021. The intense GCA days were mainly due to high inventory days and moderate debtor levels. The inventory days are high at 188 in FY2022 (provisional), since the group maintains inventory levels of 4 months due to seasonal nature of the raw material procurement. The debtors stood at 86 days for FY2022 (provisional). Considering operations are working capital intensive, bank limit utilization stood at an 7 monthly average of 91 percent until July 2022.

Acuité believes the operations will remain working capital intense as the group has to maintain high inventory due to seasonality of product.

- **Susceptibility of margins to agro climatic risks, forex risk and high competition:**

The operating margins of PLPL group remain vulnerable to agro climatic risks, forex risk and competition. The group's raw material include spices, the prices of which are dependent on agro climatic factors. The group exports around 75-80 per cent of the total sales and imports around 30 per cent of the total purchases, thus providing natural hedge to a certain extent. The group faces competition from global players. Operating profitability has seen an uneven trend. EBITDA margins stood at 18.23 per cent in FY2020 against 10.77 per cent in FY2022 (provisional) and 10.40 per cent during the pre-covid era. Similarly, net profit margins stood at 12.54 per cent in FY2020 against 8.48 per cent in FY2022 (provisional) and 5.48 percent during the pre-covid era.

ESG Factors Relevant for Rating

The inherent material risk to this industry includes releasing toxic greenhouse gases into the atmosphere and determination of the products carbon footprint. Equally important are other issues such as water usage and efficiency along with waste disposal. Furthermore, releasing air impurities and energy intensive production process are some complex issues. Product quality and safety is of primary importance to the manufacture of food industry. Additionally, raw materials procurement, health and safety certifications is of utmost significance considering the nature of the industry. Nonetheless the company has undertaken measures to mitigate the ESG risk, measures include rainwater harvesting enabling the group to save 28 million litres of water, solar powered automated water level monitoring & control system for process water pumping across plant & utilities, revival of bio-gas plant to supply LPG to common kitchen etc.

Rating Sensitivities

- Substantial improvement in revenue along with maintaining operating margins.
- Any large debt funded capex or acquisitions adversely impacting the financial risk profile of the group.
- Any further stretch in working capital cycle resulting into weak liquidity profile.

Material covenants

None.

Liquidity: Strong

The group has strong liquidity marked by healthy net cash accruals of Rs. 204.62 crore against no maturing debt obligations in FY2022 (provisional). The operations are working capital intensive as marked by gross current asset (GCA) days of 281 in FY2022 (provisional) as compared to 241 days in FY2021. The unencumbered cash and bank balances stood at Rs. 70.78 crore as on March 31, 2022 (provisional). Liquid investment in FD, Mutual Funds and Shares stood at Rs.149.14 as on 31 March 2022 (provisional). The current ratio stood at 1.83 times as on March 31, 2022 (provisional). Acuite believes that the liquidity of the group will remain strong on account of healthy net cash accruals, no maturing debt obligations, liquid investments and bank limit utilization stood at 91 percent for 7 month ended July 2022.

Outlook: Not applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	2223.50	1461.56
PAT	Rs. Cr.	188.62	155.12
PAT Margin	(%)	8.48	10.61
Total Debt/Tangible Net Worth	Times	0.55	0.26
PBDIT/Interest	Times	45.52	68.61

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

None.

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Oct 2022	Packing Credit	Short Term	70.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	52.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	160.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	140.00	ACUITE AA- Stable (Reaffirmed)
19 Jul 2021	Letter of Credit	Short Term	5.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	52.00	ACUITE A1+ (Reaffirmed)
	Post Shipment Credit	Short Term	140.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	70.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	160.00	ACUITE A1+ (Reaffirmed)
06 Feb 2020	Packing Credit	Short Term	70.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	20.00	ACUITE A1+ (Withdrawn)
	Proposed Bank Facility	Short Term	98.75	ACUITE A1+ (Withdrawn)
	Letter of Credit	Short Term	5.00	ACUITE A1+ (Reaffirmed)
	Post Shipment Credit	Short Term	140.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	160.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	52.00	ACUITE A1+ (Reaffirmed)
24 Jan 2020	Packing Credit	Short Term	52.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	70.00	ACUITE A1+ (Reaffirmed)
	Proposed Bank Facility	Short Term	98.75	ACUITE A1+ (Reaffirmed)
	Post Shipment Credit	Short Term	140.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	160.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	20.00	ACUITE A1+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A1+ Reaffirmed
Federal Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A1+ Assigned
HDFC Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	70.00	ACUITE A1+ Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	160.00	ACUITE A1+ Reaffirmed
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	52.00	ACUITE A1+ Reaffirmed
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	48.00	ACUITE A1+ Assigned
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	150.00	ACUITE A1+ Assigned
HDFC Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	80.00	ACUITE A1+ Assigned
CITI Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	140.00	ACUITE A1+ Reaffirmed
CITI Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE A1+ Assigned

Citi Bank: Post Shipment Credit includes Cash credit (CC), Pre-shipment credit, Usance letter of credit, Post shipment finance, sight letter of credit, buyer's credit, bills discounted, pre-shipment finance, working capital demand loan and bank guarantee as sublimit.

HDFC Bank: PC/PCFC includes post shipment credit, working capital demand loan (WCDL), Letter of credit (LC) of Rs. 15.00 Cr, Bank guarantee (BG) of Rs. 15.00 Cr and cash credit as sublimit.

State Bank of India: PC/PCFC includes FBD, PC/EBR as sublimit.

Union Bank of India: PC/PCFC includes FDBP/FUDBP/FDBD/FUDBD, CC of Rs. 10.00 Cr, LC of Rs. 25.00 Cr as sublimit. LC includes BG of Rs. 5.00 Cr as sublimit.

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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