Press Release
PLANT LIPIDS PRIVATE LIMITED
April 18, 2024
Rating Reaffirmed & Partly Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rc
Bank Loan Ratings	1.00	ACUITE AA- | Stable | Reaffirmed	-
Bank Loan Ratings	715.00	-	ACUITE A1+ | Reaffirmed
Bank Loan Ratings	100.00	-	ACUITE A1+ | Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	716.00	-	-
Total Withdrawn Quantum (Rs. Cr)	100.00	-	-

Rating Rationale
Acuité has reaffirmed its long-term rating of **'ACUITE AA-' (read as ACUITE double A minus)** and short-term rating at **'ACUITE A1+' (read as ACUITE A one plus)** on the Rs. 716 Cr. bank facilities of Plant Lipids Private Limited (PLPL). The outlook is **'Stable'**.
Further, Acuité has reaffirmed and withdrawn its short-term rating of **'ACUITE A1+' (read as ACUITE A one plus)** on the Rs.100 Cr. bank facilities of Plant Lipids Private Limited (PLPL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company.

Rationale for the rating reaffirmation
The rating reaffirmation reflects the stable operating performance of the group, marked by revenue of Rs.2020.21 Cr. in FY2023 against Rs.1987.59 Cr. in FY2022. The stable revenues are on account of improved sale volumes, albeit lower price realizations. Further in FY2024, the revenues are expected to marginally moderate to ~1957 Cr. on the back of higher sale volumes and further decline in price realizations. Further, the rating continues to factor in PLPL's healthy financial risk profile, marked by a debt-to-equity ratio of 0.32 times as of March 31, 2023, a strong net worth of Rs.1266.34 Cr. as of March 31, 2023, and declined, albeit healthy, coverage indicators. The ICR and DSCR declined to 9.45 times and 7.63 times in FY2023 from 46.40 times and 36.85 times in FY2022 due to increased interest costs during the year.
However, the rating remains constrained due to the working capital-intensive nature of operations and the susceptibility of revenue and margins to agro-climatic risks and some degree of foreign currency fluctuation risk.

About 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 1,16,926 MTPA for spice oleoresins and Spice oils.

About the Group

Plant Lipids Private Limited (PLPL) group having Plant Lipids Private Limited as the primary company along with its associate, subsidiaries and step-down subsidiaries is engaged in the manufacturing of spice oleoresins, spice oils and ground spice.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

•Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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.

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 1,16,926 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.

Stable Operating Performance

The group reported stable revenue in FY2023. The revenue stood at Rs.2020.21 Cr. in FY2023 against Rs. 1987.59 Cr. in FY2022. Further, the revenues are estimated to be around Rs.1957.20 Cr. in FY2024. The stable revenues are on account of growth in sales volumes to 16,216 MT in FY2023 against 13,551 MT in FY2022, albeit with moderation in per-unit price realizations. The growth trend in sales volume continued in FY2024 as well, reaching 21,035 MT, along with further moderation in price realizations.
However, operating profitability improved to 13.37% in FY2023 from 11.77% in FY2022, on account of lower material costs. Further, it is estimated to improve in FY2024 due to the same reason. The material cost constituted around 73.82% of the total operating cost in FY2022, which reduced to 70.27% in FY2023 and is further estimated to settle at ~69%.
Acuite believes that the operations of the group will continue to remain exposed to a certain degree of volatility in commodity demand-supply and price fluctuations.

Healthy financial risk profile:

The financial risk profile of the group is healthy, marked by a healthy net worth, moderate

debt, and healthy coverage indicators. The net worth increased to Rs.1266.34 Cr. as on March 31, 2023, against Rs.1126.15 Cr. as on March 31, 2022. The company earned an aggregate net profit of Rs. 158.80 Cr. in FY2023. Further, the aggregate debt declined to Rs. 402.24 Cr. as of March 31, 2023 against Rs. 616.94 Cr. in the previous fiscal. The decline in debt levels is on account of lower working capital utilization towards year-end. However, the company follows a conservative leverage policy marked by a peak debt-to-equity ratio of 0.55 times as of March 31, 2022, through FY2020–23. The debt-to-equity ratio as of March 31, 2023, stood at 0.32 times. The coverage indicators declined, but remained healthy in FY2023. The interest coverage ratio and debt service coverage ratio declined to 9.45 times and 7.63 times as of March 31, 2023, respectively, against 46.40 times and 36.85 times as of March 31, 2022. The moderation in the coverage indicators is due to increased interest costs during the year. Going ahead, the coverage indicators are estimated to improve over the near term.
Acuite believes that the group's financial risk profile will remain healthy over the medium term on account of no major debt-funded capital expenditure and expected healthy accrual generation.

Weaknesses

Intensive nature of working capital operations

The working capital operations of the group are intensive in nature marked by GCA days 267 days in FY2023 against 300 days in FY2022. The high GCA days are led high inventory days of 181 days in FY2023 against 209 days in FY2022. The group on an average maintains inventory levels of 4 months due to seasonal nature of the raw material procurement. The debtor days stood moderate 68 days in FY2023 against 82 days in FY2023. The creditor days stood at 40 days in FY2023 against 63 days in FY2022. However, the bank limit utilisation stood moderate at ~43% over the last 7 months ending March 2024.
Acuite believes that the working capital operations of the group are expected to remain at similar levels over the medium term.

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

The operating margins of the PLPL Group remain vulnerable to agro-climatic risks, forex risk, and competition. The group's raw materials include spices, the prices of which are dependent on agro-climatic factors. The group exports around 75–80 percent of the total sales and imports around 30 percent of the total purchases, thus providing natural hedges to a certain extent. The group faces competition from global players. Operating profitability has seen an uneven trend. EBITDA margins stood at 13.57 percent in FY2023, against 11.77 percent in FY2022 and 14.92 percent during FY2021. Similarly, net profit margins stood at 7.86 percent in FY2023, against 9.27 percent in FY2022 and 10.61 percent in FY2021.

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.

Liquidity Position: Strong

The group has strong liquidity, marked by healthy net cash accruals generation against nominal maturing debt repayment obligations. The group generated cash accruals of Rs.211.10 Cr. against the nominal maturing repayment obligation. The operations of the group are working capital intensive, as marked by gross current asset (GCA) days of 267 days in FY2023 as compared to 300 days in FY2022. The unencumbered cash and bank balances stood at Rs. 115.81 Cr. as of March 31, 2023. Liquid investment in mutual funds, NCDs, venture capital funds, and shares stood at Rs.126.77 Cr. as on 31 March 31, 2023. The current ratio stood healthy at 2.43 times as of March 31, 2023. Acuité believes that the liquidity of the group will remain strong on account of healthy net cash accrual generation, no maturing debt obligations, healthy liquid investments, and moderate bank limit utilization, which stood at ~43 percent for the last 6 months ended March 2023.
Acuite believes that the group will continue to maintain a strong liquidity position on the back of healthy accrual generation, moderate reliance on working capital limits and no major repayment obligations.

Outlook:Stable

Acuité believes that the outlook for the PLPL Group will remain 'stable" over the medium term on account of the established position of the group in the spice oil and oleoresins industry, a healthy financial risk profile, and stable operations. The outlook may be revised to 'Positive' in case of significant growth in revenue while improving operating margins and maintaining the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the group's financial risk profile or elongation in the working capital cycle leading to deterioration in the liquidity position of the group.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	2020.21	1987.59
PAT	Rs. Cr.	158.80	184.31
PAT Margin	(%)	7.86	9.27
Total Debt/Tangible Net Worth	Times	0.32	0.55
PBDIT/Interest	Times	9.45	46.40

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any Other Information
None

Applicable Criteria
• 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
• Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm

Note on Complexity Levels of the Rated Instrument
In order to inform the investors about complexity of instruments, Acuité 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
19 Jan 2023	Letter of Credit	Short Term	5.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	50.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	70.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	80.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	160.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	150.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	52.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	48.00	ACUITE A1+ (Reaffirmed)
	Post Shipment Credit	Short Term	140.00	ACUITE A1+ (Reaffirmed)
	Post Shipment Credit	Short Term	60.00	ACUITE A1+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.00	ACUITE AA- | Stable (Assigned)
28 Nov 2022	Letter of Credit	Short Term	5.00	ACUITE A1+ (Reaffirmed)
	Packing Credit	Short Term	50.00	ACUITE A1+ (Assigned)
	PC/PCFC	Short Term	70.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	80.00	ACUITE A1+ (Assigned)
	PC/PCFC	Short Term	160.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	150.00	ACUITE A1+ (Assigned)
	PC/PCFC	Short Term	52.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	48.00	ACUITE A1+ (Assigned)
	Post Shipment Credit	Short Term	140.00	ACUITE A1+ (Reaffirmed)
	Post Shipment Credit	Short Term	60.00	ACUITE A1+ (Assigned)
17 Oct 2022	Cash Credit	Long Term	140.00	ACUITE AA- | Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	70.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	160.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	52.00	ACUITE A1+ (Reaffirmed)
		Short		

19 Jul 2021	Letter of Credit	Term	5.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	52.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	160.00	ACUITE A1+ (Reaffirmed)
	PC/PCFC	Short Term	70.00	ACUITE A1+ (Reaffirmed)
	Post Shipment Credit	Short Term	140.00	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 avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A1+ | Reaffirmed
Federal Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	75.00	ACUITE A1+ | Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A1+ | Reaffirmed
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	48.00	ACUITE A1+ | Reaffirmed
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	150.00	ACUITE A1+ | Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	45.00	ACUITE A1+ | Reaffirmed
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	160.00	ACUITE A1+ | Reaffirmed
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	27.00	ACUITE A1+ | Reaffirmed
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A1+ | Reaffirmed & Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A1+ | Reaffirmed & Withdrawn
HDFC Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A1+ | Reaffirmed & Withdrawn
CITI Bank	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	115.00	ACUITE A1+ | Reaffirmed
	Not							

CITI Bank	avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	60.00	ACUITE A1+ | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE AA- | Stable | Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Name of the company
1	Plant Lipids Lanka (Pvt.) Ltd., Sri Lanka
2	Plant Lipids UK Limited
3	Plant Lipids Latinoamerica, S.A. de C.V.
4	Plant Lipids Europe GMBH
5	PT. Plant Lipids Indonesia
6	Koenen Extrakte GmbH
7	Plant Lipids (Thailand) Co. Ltd
8	Blue Ridge Realtors Private Limited
9	FF Bioworks Private Limited

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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.