Press Release

The Plantation Corporation of Kerala Limited

May 05, 2023

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB+ | Stable | Assigned	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has assigned its long term rating of **ACUITE BB+ (read as ACUITE double B plus)** to the Rs 50 Cr bank facilities of The Plantation Corporation of Kerala Limited (TPCKL). The outlook is '**Stable**'.

Rationale for rating

The rating assigned takes into account the 100 percent ownership of Government of Kerala(GOK) and largest plantation based public sector company in Kerala with total 14020 hectars of plantations covering various types of plantations such as rubber, cashew, oil palm, cinnamon, coconut, tea and other plantations. Further, rating also factored in the experience of TPLCKL's management and established track record of the company in plantation industry and presence of company in diverse industries such as rubber, cashew, oil palm and other plantation based industries. The rating also takes into consideration improved performance in FY2022 due to higher realisation price for rubber and considerable improvement in operating profits in FY2022.
The rating however, remain constrained by the continues losses for several fiscals, owing to drop in rubber prices amidst increase in labour cost. Further, the raing also factored in the risk associated with agricultural commodities with production dependent on agro climatic conditions and exposure of earnings to fluctuations in rubber realisation prices considering global and domestic demand supply dynamics.

About the Company

The Plantation Corporation of Kerala Limited(TPCOKL) was incorporated in 1962 in the State of Kerala as a Public Sector Undertaking by the Government of Kerala(GOK) to accelerate the agro-economic development in Kerala. TPCOKL is fully owned subsidiary of Government of Kerala and it is the largest plantation based public sector company in Kerala. The corporation is mainly engaged in processing of centrifuged latex and crumb rubber. Company also owns various plantations such as cashew, oil palm, cinnamon coconut, arca nuts, teak, pepper and other miscellaneous trees.

Standalone (Unsupported) Rating

ACUITE B+/Stable

Analytical Approach

Acuité has taken the standalone view on the business and financial risk profile of The Plantation Corporation of Kerala limited (TPCKL) and notched up the standalone rating by factoring in the operational support extended by Government of Kerala(GOK).**Key Rating Drivers Strengths**

Longstanding t rack record of operations and management's extensive experience in plantation industry

The Plantation corporation of Kerala limites(TPCOK) was established in 1962 in order to promote agro economic development in Kerala and owned by Government of Kerala. The main objective of company is processing of centrifuge latex and crumbed rubber. TPCOK owns land parcel of 14020 hectares divided into 15 estates. Since its inception company has developed plantations like rubber, cashew, cashew, oil palm, cinnamon coconut, arca nuts, teak, pepper and other miscellaneous trees. Company has three processing units located at Kodumon, Pathanamthitta district and Kallala, Ernakulam district. Company has experience of more than five decades in plantation industry.

Acuite believes that TPCOKL being fully owned entity of GOK, shall continue to benefit from the operational and management support of GOK from time to time.

Weaknesses

Continuous losses due to volatility in prices and rising labour cost

TPCOKL has been incurring continuous losses in past fiscals due to increasing employee cost and labour overheads which has reduced the competitiveness of the company. Further, high volatility in rubber prices as result of international trade policy, demand supply dynamics of natural rubber has a material impact on company's operating margins.

Below average financial risk profile

The financial risk profile of the company is below average with moderate net worth, low gearing and weak debt protection metrics. The net worth of the company stood at Rs 99.35 Cr as on March 2022(Prov) against Rs 107.28 Cr as on March 2021 and Rs 130.73 Cr as on March 2020. The evaporation in net worth is majorly due to continuous losses. The company follows a conservative financial risk policy reflected by its peak gearing of 0.14 times in FY 2022(Prov). Gearing ratio stood at 0.14 times in FY 2022(Prov) as against 0.11 times in FY 2021. TOL/TNW of the company stood at 1.56 times in FY 2022(Prov) as against 1.38 times in FY 2021 and 0.98 times in FY 2020.The debt protection metrics of the company remains weak with interest coverage ratio stood at (6.24) times in FY 2022(Prov) as against (29.61) times in FY 2021 and DSCR stood at (6.24) times in FY 2022(Prov) as against (29.61) times in FY 2021.

Acuite believes that financial risk profile of TPCOK may continue to remain below average in medium term considering negative cash accruals.

Working capital intensive nature of operations

TPCOKL operations are working capital intensive marked by high GCA days (Gross current asset days) of 491 days for FY2022({Prov) as against 574 days in FY2021 and 556 days in FY2020. However, GCA days reduced in FY2022(Prov) due to reduction in inventory days from 78 days in FY2021 to 64 days in FY2022(Prov). Company's creditor days stood between 8 to 11 days during FY20 to FY22(Prov). High working capital requirement and negative cash accruals have led to high utilisation of working capital limits of about 95 percent over past 6 months ending March 2023.

Acuite believes that considering the nature of operations of the company working capital may continue to remain intensive over medium term.

Rating Sensitivities

Positive

- Sustainable improvement in Profitability, Leverage and liquidity position of the company.
- Sustainable improvement in realization per unit.

- Credit profile of GoK

Negative

- Any deterioration in working capital cycle and liquidity profile of the company.
- Any deterioration in Revenue profile and leverage position of the company.
- Any weakening of financial risk profile of the company.

Material covenants

None

Liquidity Position: Poor

TPCOK's liquidity is poor marked by generation of negative cash accruals from its operations and low level of unencumbered cash and bank balance and high reliance on bank limit utilisations. Company has generated cash accruels in the range of Rs.(6.97) Cr to Rs(24.97) Cr during last three years ending FY2022(Prov).
PCOK's cash accruals are negative due to continuous losses, however, the intensity of losses has decreased in FY2022(Prov). Company's current ratio stood at 0.88 times and cash and bank balance stood at Rs.1.18 Cr as on 31 st March 2022(Prov). Company's operations are working capital intensive marked by GCA days in rang of 491 days to 574 days during previous 3 financial years making it dependent on bank borrowings for its working capital requirements. Average bank limit utilization stood at 95.19 percent over the last 6 months ending March 2023.

Outlook: Stable

Acuité believes that the TPCKL will maintain 'Stable' outlook over the medium term from its strategic importance to the GoK, experienced management and strong parentage. The outlook may be revised to 'Positive' after the company successfully ramps up its operation and registers growth in revenues while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of non recovery of DPS resulting in deterioration in their financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	87.59	71.49
PAT	Rs. Cr.	(7.93)	(23.45)
PAT Margin	(%)	(9.05)	(32.80)
Total Debt/Tangible Net Worth	Times	0.14	0.11
PBDIT/Interest	Times	(6.24)	(29.61)

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
- Rating Process and Timeline: https://www.acuite.in/view-rating-criteria-67.htm
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-

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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BB+ | Stable | Assigned

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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.