



Press Release

Value Ingredients Private Limited (VIPL)

March 01, 2021

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Bank Facility – Term Loans (includes WCTL)	2.52	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)
2.	Short Term Bank Facilities – PCFC/FBD/FBE	8.00	IVR A4+ (IVR Single A Four Plus)
3.	Short Term Bank Facility – Standby Line of Credit	0.40	IVR A4+ (IVR Single A Four Plus)
4.	Short Term Bank Facility – Letter of Credit	1.00	IVR A4+ (IVR Single A Four Plus)
5.	Proposed Short Term Bank Facility – Letter of Credit	0.08	IVR A4+ (IVR Single A Four Plus)
	Total	12.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from established track record with experienced promoters, healthy financial risk profile, diversified product portfolio and positive demand for Indian spices in the export markets. However, the rating strengths are partially offset by small scale of operations amid the competitive nature of industry and exposure to commodity price fluctuation and Forex risks.

Key Rating Sensitivities:

- **Upward Factor**
 - Substantial growth in the revenue and/or profitability while maintaining the debt protection metrics at current level.
- **Downward Factor**
 - Lower than envisaged sales generated
 - Deterioration in profitability and/or working capital management
 - Significant deterioration in debt protection metrics



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Key Rating Drivers with detailed description

Key Rating Strengths

- **Experienced promoters:**

Value Ingredients Private Limited (VIPL) is currently managed by Sijilkarim Madathumpady, Mr. Thyagarajan Karthikeyan & Ms. Meenakshi Karthikeyan. The promoters have been engaged in the same industry since more than a decade and have an extensive operational track record in processing and exports of spices. The extensive experience of the promoters is also reflected through the established relationship with its customers and suppliers. VIPL is gaining traction in the export markets and primarily derives its revenues from exports to the USA, UK and Europe.

The senior management team is ably supported by a strong line of mid-level managers. VIPL shall benefit from the promoters' strong understanding of market dynamics and established relations with its clients and suppliers.

- **Healthy financial risk profile:**

The Company's financial risk profile is moderate marked by a moderate net worth and healthy debt protection metrics. Given the scale of operations, its net worth stood comfortable at INR5.94 Crore as on March 31st, 2020 when compared to INR4.67 Crore as on March 31st, 2019 on account of healthy accretion to reserves. Given the working capital requirements, its gearing further stood comfortable at 0.96x as on March 31st, 2020 as against 1.13x as on March 31st, 2019. The comfortable debt protection metrics is marked by Interest Coverage at 3.43x in FY2020.

- **Diversified product portfolio:**

VIPL has a diversified product portfolio of spices like chilly, ginger, turmeric, etc. and is sold in bulk as well as value added form. It generates revenue from mixed/powdered spices and blends by undertaking retail private label sales for the domestic/export markets. Diversified product profile along with geographical reach helps the Company in strengthening its business risk profile.

The Company booked an overall top line of INR34.80 Crore in FY20 when compared to INR24.62 Crore in FY19. The Company's operations were impacted due to the Covid-19



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lockdown in early months of FY21 and yet it managed to report sales of INR36.32 Crore in 9MFY21. Further, the Company has an order book of INR39 Crore as on December 2020, which gives a certain revenue visibility for the short term.

- ***Positive demand for Indian spices in the export markets:***

The exports of Indian spices and spice products surged to INR21,515 Cr and a volume of 11,83,000 tons during the 2019-20 season as compared to INR19,506 Cr and 11,00,250 tons during 2018-19, despite stiff competition in the international market. Chilli continued to be the most demanded spice in the 2019-20 season generating exports of 484,000 tons worth INR6,221.7 Cr. The Covid-19 situation has improved the demand for Indian spices in the global market because of its immunity boosting properties. The outlook for the spice industry remains positive for the near future. The overall demand dynamics is expected to have positive impact on company performance.

Key Rating Weaknesses

- ***Small scale of operations amid the competitive nature of industry:***

The Company was incorporated in 2014 and is yet to establish itself in the export market. The total sales generated stood moderate at INR34.80 Crore in FY20 when compared to INR24.62 Crore in FY19. However, its promoters' extensive experience in the industry shall benefit the Company's business risk profile and generate revenue prospects in the long term. The Company faces intense competition from various small and medium processing units and the competition is expected to rise given the increasing demand for spices in both domestic and international markets. Hence, the impact of competition on profitability and bargaining power shall be a key amid the small scale of operations. In 9MFY21 it has booked the revenue of INR36.32 Crore.

- ***Exposure to commodity price fluctuation and Forex risk:***

The commodity market exhibits high degree of volatility. Their prices depend on various parameters such as government policies, climatic conditions, global demand-supply dynamics among others. Any sharp deviation in these commodity prices can have a significant impact on the operations of players such as VIPL. Order backed procurement mitigates fluctuations in profits to an extent. Also, by virtue of VIPL primarily being an exporter and deriving maximum of its sales from overseas markets, the company is



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susceptible to any adverse Forex movements. However, the risk is mitigated to an extent as the company hedges its Forex exposure under the forward cover contract.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The Company has modest cash and bank balances amounting to INR0.34 Crore as on March 31st, 2020, as compared to its scale of operations. Based on the adequate cash accruals as against minimal debt obligations, strong debt coverage metrics, comfortable level of cash conversion cycle, the Company liquidity is termed adequate.

About the Company

Incorporated in 2004, Value Ingredients Private Limited (VIPL) is engaged in processing and sales of spices such as pepper, turmeric and chillies. It is a fully vertically integrated grower processor of steam sterilised spice ingredients. The Company offers full range of processed spices, spice blends, and the entire product range is available in packaging varying from 100gms to 25kg bulk bags.

Financials: (Standalone)

For the year ended/ As On*	(INR Crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	24.62	34.80
EBITDA	1.84	2.42
PAT	0.41	0.56
Total Debt	5.28	5.67
Tangible Net-worth	4.67	5.94
EBITDA Margin (%)	7.47	6.94
PAT Margin (%)	1.66	1.62
Overall Gearing Ratio (x)	1.13	0.96

* Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Bank Facility – Term Loans (includes WCTL)	Long Term	2.52	IVR BB+	--	--	--
2.	Short Term Bank Facilities – PCFC/FBD/FBE	Short Term	8.00	IVR A4+	--	--	--
3.	Short Term Bank Facility – Standby Line of Credit	Short Term	0.40	IVR A4+	--	--	--
4.	Short Term Bank Facility – Letter of Credit	Short Term	1.00	IVR A4+	--	--	--
5.	Proposed Short Term Bank Facility – Letter of Credit	Short Term	0.08	IVR A4+	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Bank Facility – Term Loans (includes WCTL)	2.52	NA	NA	Upto June '24	IVR BB+
Short Term Bank Facilities – PCFC/FBD/FBE	8.00	NA	NA	NA	IVR A4+
Short Term Bank Facility – Standby Line of Credit	0.40	NA	NA	NA	IVR A4+
Short Term Bank Facility – Letter of Credit	1.00	NA	NA	NA	IVR A4+
Proposed Short Term Bank Facility – Letter of Credit	0.08	NA	NA	NA	IVR A4+