

International Agricultural Processing Private Limited

October 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	8.08 (Reduced from 16.26)	CARE BB; Positive	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE BB-; Stable
Short Term Bank Facilities	20.00	CARE A4+	Assigned
Short Term Bank Facilities	55.92 (Reduced from 59.74)	CARE A4+	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE A4

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had previously rated the bank facilities of International Agricultural Processing Private Limited (IAP) as 'ISSUER NOT COOPERATING'. IAP has now cooperated by providing necessary information for undertaking the review

The ratings assigned to the bank facilities of IAP are constraint by volatility in the operating margins which are exposed to volatility in the raw material prices and currency fluctuations, presence in a highly competitive and fragmented industry and concentration risk. The ratings, however, draw strength from the experienced management team and long track record of the group, reputed export clientele and satisfactory capital structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistent growth in sales volumes with stable PBILDT margin above 5%.

Negative factors

- Elongation in operating cycle or liquidity Indicators.
- Decline in PBILDT margins below 3% on a continuous basis

Analytical approach: Standalone

Outlook: Positive

The outlook has been revised to 'positive' on the basis of improved profitability in the last two years which is likely to sustain in the medium term. The outlook will be revised to stable in case the company reports decrease in its operating margins thereby impacting its financial risk profile and Liquidity position.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations with volatile profit margins

The scale of operations of the company stood moderated with Total operating income of Rs 127.68 crore in FY24 as against Rs 179.05 crore in FY23. The decline in revenue was primarily on account of lower crop yield, which affected the availability of gherkins. The PBILDT margins of the company has improved over the last 2 years above 5% and stood at 5.65% and 8.04% in FY23 and FY24 respectively. The improvement has been primarily on account of capacity addition and change in product mix wherein the company is exporting more jar-based value-added products. Profitability margins of the company has remained volatile over the years and sustenance of the same at present levels would remain a monitorable.

Profitability remains vulnerable to raw-material procurement prices

The company derives majority of its revenue from processed-gherkins sales, the availability of which is subject to seasonality as it is an agricultural product. The yield from cultivation can vary depending on any changes in the climatic conditions, which impacts

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

the material availability and pricing, which can in turn affect its margins. Further, the company is also exposed to currency fluctuation risk as all sales are export sales. The company has, however, hedging mechanism to partly cover its foreign currency exposure.

Concentration Risk

The revenue of the company is entirely generated by way of export sales to countries like Canada, Germany, Netherlands, USA and Japan. Further, the top five customers of IAP constitute almost around 75-80% of the revenue, out of which around 50-60% of the sales is to the parent company of the group, Marcatus QED INC, Canada, and rest to other companies. This keeps the revenue concentration high.

Highly competitive and seasonality associated with agro-based business

The gherkins industry is highly fragmented and there is strong competition from both organized as well as unorganized players in the domestic industry. Being in an agro based industry, the entry barriers remain low which could probably affect the market share of the company. This apart, the company could face competition from other gherkin-exporting nations like Germany and Turkey in the global market. The yield from cultivation can vary depending on changes in the climatic conditions impacting the material availability.

Key strengths

Experienced management team and long track record of the group

IAP has been operating since 1998 and engaged in processing and selling of Gherkins and other vegetables. The company was acquired by M/s. Marcatus QED INC (MQED), Canada during 2011 which is one of the established agro food players in the globe. MQED is operating since 2001 with a track record of more than two decades of operations and is one of the major gherkins and other agro based products traders in western and other European countries. Currently IAP managed by the directors Mr. Somanna Kaveriappa Mukkatira, Mr. Ajay Kumar Kanhangad Madathil and Mr. Alok Aurovillian ably assisted by a team of well qualified and experienced professional.

Satisfactory capital structure and debt protection metrics

The capital structure of the company remained satisfactory with overall gearing at 1.42x as on March 31, 2024 (PY:2.11x) The debt profile primarily consists of working capital borrowing of Rs 43.08 crore and term loan of Rs 8.82 crore as on March 31, 2024. The company generated sufficient operating profits to service its interest commitments marked by interest coverage ratio of 2.10x as on March 31, 2024. Total debt to gross cash accruals stood at 8.95x as on March 31, 2024.

Reputed export clientele

Majority of IAP's offtake is towards its ultimate holding company, Marcatus QED INC (MQED) which is a reputed agro food solutions company and around 40-50% to other clients. All the customers are established players in the food business and have a relationship of more than a decade with IAP.

Liquidity: Stretched

The liquidity of IAPPL remained stretched, characterized by moderate accruals vis-à-vis repayment obligations and cash balance of Rs. 1.91 crore. The operation of the company is working capital intensive considering elongated working capital cycle. Being an export-oriented unit, the company gives credit period of 90 days to its customers. Further, the company takes credit period of upto 60 days for payment to its suppliers. With seasonality association and to meet the regular demands, the company maintains inventory for 90 days on an average. The average working capital utilization is around 83% during past twelve months ended August 2024. The current ratio and quick ratio stood comfortable at 1.06x and 0.67x respectively as on March 31, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Other Food Products

Tamil Nadu based International Agricultural Processing Private Limited (IAP) was originally incorporated by Mr. Peter Uyitewaal, a Netherlands citizen on March 24, 1998 and later during 2011, the ownership was transferred to Marcutus Group, Canada. IAP is engaged in the processing and exporting gherkins and also trading of other vegetables like baby corn, tomato, onion red capsicum, jalapeno, pepper and green chilli. It has two wholly owned subsidiaries namely IAP Farm Services Private Limited and Marcutus Speciality Foods Private Limited, primarily set up for procurement of raw materials. IAP is 100% export-oriented unit (EOU), exporting its products globally which primarily includes Canada, Germany, Netherlands, Japan.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)	5M FY2025 (UA)
Total operating income	179.05	127.68	45.00
PBILDT	10.11	10.27	NA
PAT	-2.23	2.12	NA
Overall gearing (times)	2.11	1.42	NA
Interest coverage (times)	2.21	2.10	NA

A: Audited Prov.: Provisional UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	1.00	CARE BB; Positive
Fund-based - LT-Term Loan		-	-	July 2027	7.08	CARE BB; Positive
Fund-based - ST-Foreign Bill Discounting		-	-	-	20.00	CARE A4+
Fund-based - ST-Packing Credit in Indian rupee		-	-	-	45.92	CARE A4+
Non-fund-based - ST-Forward Contract		-	-	-	10.00	CARE A4+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	1.00	CARE BB; Positive	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (24-Aug-23)	1)CARE BB; Stable (10-Aug-22)	-
2	Fund-based - ST-Packing Credit in Indian rupee	ST	45.92	CARE A4+	-	1)CARE A4; ISSUER NOT COOPERATING* (24-Aug-23)	1)CARE A4+ (10-Aug-22)	-
3	Fund-based - LT-Term Loan	LT	7.08	CARE BB; Positive	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (24-Aug-23)	1)CARE BB; Stable (10-Aug-22)	-
4	Non-fund-based - ST-Forward Contract	ST	10.00	CARE A4+	-	1)CARE A4; ISSUER NOT COOPERATING* (24-Aug-23)	1)CARE A4+ (10-Aug-22)	-
5	Fund-based - ST-Foreign Bill Discounting	ST	20.00	CARE A4+				

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Foreign Bill Discounting	Simple
4	Fund-based - ST-Packing Credit in Indian rupee	Simple
5	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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