SMERA BOND RATINGS

SMERA RATINGS LIMITED

Press Release

Jeyyam Global Foods Private Limited

April 20, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 24.50 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' **(read as SMERA BBB minus)** on the Rs. 24.50 crore bank facilities of Jeyyam Global Foods Private Limited. The outlook is **'Stable'**.

Jeyyam Global Foods Private Limited (Jeyyam Global), promoted by Mrs. Thilagavathi and Ms. Shrruthi Saravanan was incorporated in 2008. The company started off with trading of fried gram, gram flour, urad dal and toor dal (sambhar dal) and subsequently from August 2015, commenced manufacturing of the same at Deevattipatti, Tamil Nadu.

Key Rating Drivers

Strengths

• **Experienced management**
The company was incorporated in 2008. The Directors, Mr. Thilagavathi and Ms. Shrruthi Saravanan possess over two decades of experience in the aforementioned business.

• **Prudent working capital management**
The prudent working capital management is marked by gross asset days of 25 and 20 in FY2016 and FY2015 respectively. Also, the debtors stood at 10 days in FY2016 and FY2015. The inventory stood at 10 days in FY2016 and Nil in FY2015 while creditors stood at 2 days and 14 days in FY2016 and FY2015 respectively.

• **Significant revenue growth**
Jeyyam Global has shown significant revenue growth of Rs.194.85 cr in FY2016 as compared to Rs.146.88 cr in FY2015. The company began manufacturing operations in August 2015. Also, the company registered revenue of Rs.190 cr till December 2016 (provisional). Around 71 per cent revenue in FY2016 was from manufacturing, with the balance from trading.

• **Healthy financial risk profile**
The financial risk profile of the company is marked by comfortable debt protection metrics, moderate gearing levels and healthy net worth base. The interest coverage and debt service coverage ratios stood at 5.89 times and 4.48 times respectively in FY2016. The gearing levels stood at 1.11 times in FY2016 with no debt. The company took bank loan for purchase of plant and machinery and set up a manufacturing unit in FY2016. The net worth base stood comfortable at Rs.15.32 cr as on March 31, 2016 which included unsecured loans of Rs. 5 cr. SMERA has treated this amount as quasi equity since as this amount is from promoters and directors who have undertaken to maintain this amount in the business over the medium term.

Weaknesses

• **Thin profit margins**

The thin margins are marked by EBITDA of 2.36 percent and 0.34 percent in FY2016 and FY2015 respectively. The PAT margin is low at 1.13 per cent in FY2016. However, the same improved from 0.23 percent in FY2015 due to the change in the nature of business from trading to manufacturing.

- **Agro climatic risk and government regulations**

The company is exposed to agro climatic risks. Black chana, the main raw material for production of fried gram and gram flour is sown in November and harvested in February. The production of the same is dependent largely on agro climatic conditions. Further, the government's stance towards MSP on gram flour may create pressure on the profitability of the company.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that Jeyyam Global will maintain a stable outlook owing to the extensive experience of its promoters and healthy financial risk profile. The outlook may be revised to 'Positive' with sustained growth in revenue while improving profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall gearing or further weakening of the profitability margins.

About the Rated Entity - Key Financials

For FY2016, Jeyyam Global reported profit after tax (PAT) of Rs.2.20 cr on total operating income of Rs.194.85 cr, as compared with PAT of Rs.0.33 cr on total operating income of Rs.146.88 cr in FY2015. The tangible net worth stands at Rs.15.32 cr in FY2016 as compared to Rs.2.27 cr in FY2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument

https://www.smera.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loan - I	Not Applicable	Not Applicable	1-Apr-2023	3.00	SMERA BBB- / Stable
Term loan – II	Not Applicable	Not Applicable	1-Apr-2023	3.50	SMERA BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BBB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA BBB- / Stable

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ABOUT SMERA

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