

Press Release

JEYYAM GLOBAL FOODS PRIVATE LIMITED

June 29, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) on the Rs.24.50 crore bank facilities of Jeeyam Global Foods Private Limited (JGFPL). The outlook is '**Stable**'.

JGFPL, promoted by Mrs. Thilagavathi and Ms. Shrruthi Saravanan was incorporated in 2008. The company started with trading of fried gram, gram flour, urad dal and toor dal (sambhar dal) at Chennai. Subsequently from August 2015, the company commenced manufacturing of fried gram at Deevattipatti (TamilNadu).

Key Rating Drivers

Strengths

- **Experienced management**

The management possesses around two and a half decades of experience in the aforementioned business.

- **Prudent working capital management**

The company's comfortable working capital cycle is marked by debtor of 11 days in FY2017 and 10 days in FY2016; inventory of 12 days in FY2017 and 10 in FY2016; and creditors of 3 days and 2 days in FY2017 and FY2016 respectively. Gross Current Assets stood at 29 days and 25 days in FY2017 and FY2016 respectively.

- **Significant revenue growth**

JGFPL has shown significant revenue growth of Rs.265.26 crore in FY2017 as compared to Rs.194.85 crore in FY2016. The company began manufacturing operations in August 2015. Also, the company registered revenue of Rs.228.00 crore FY2018 (Provisional).

Weaknesses

- **Thin profit margins**

The EBITA margins are thin, inspite of marginal increase in FY2017. EBITA margins stood at 3.75 percent in FY2017 as against 2.36 percent in FY2016. PAT margin of the company is low at 1.64 percent in FY2017, however, the same has improved from 1.13 percent in FY2016 and 0.23 percent in FY2015 due to the change in 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

Acuite has considered the standalone business and financial risk profiles of the JGFPL to arrive at this rating.

Outlook: Stable

Acuite believes that JGFPL will maintain a 'Stable' outlook owing to the extensive experience of the promoters and healthy financial risk profile. The outlook may be revised to 'Positive' with sustained growth in revenue while improving profitability and further improvement in 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

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	265.26	194.85	146.88
EBITDA	Rs. Cr.	9.95	4.59	0.50
PAT	Rs. Cr.	4.36	2.20	0.33
EBITDA Margin	(%)	3.75	2.36	0.34
PAT Margin	(%)	1.64	1.13	0.23
ROCE	(%)	23.62	23.42	45.07
Total Debt/Tangible Net Worth	Times	1.06	1.11	0.00
PBDIT/Interest	Times	4.41	5.89	0.00
Total Debt/PBDIT	Times	2.09	3.64	0.00
Gross Current Assets (Days)	Days	29	25	20

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
20-Apr-2017	Term Loan-I	Long Term	3.00	ACUITE BBB-/Stable (Assigned)
	Term Loan-II	Long Term	3.50	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB-/Stable (Assigned)
	Proposed Cash Credit	Long Term	11.00	ACUITE BBB-/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BBB- / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB- / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB- / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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