

Press Release

Jeyyam Global Foods Private Limited

May 27, 2019



Rating Reaffirmed, Assigned and withdrawn

Total Bank Facilities Rated*	Rs. 32.50 Cr. (enhanced from Rs.24.50 crore)
Long Term Rating	ACUITE BBB-/Outlook: Negative (Reaffirmed; Outlook Revised to Negative)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (**read as ACUITE BBB minus**) to the Rs. 23.02, assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE BBB minus**) Rs. 9.48 crore and withdrawn long-term rating of '**ACUITE BBB-**' (**read as ACUITE BBB minus**) on Rs. 11.00 crore bank facilities of Jeyyam Global Foods Private Limited (JGPL). The outlook is '**Negative**'.

Acuité has revised the outlook to '**Negative**' from '**Stable**' on account of higher than expected debt undertaken by the company to fund the incremental working capital requirements and expected deterioration in profitability margins of the company on account of commencement of trading operations in FY2019. Any further deterioration in profitability metrics and debt undertaken could result in downward revision in the rating. Conversely, any significant and sustainable improvement in the profitability metrics and debt protection metrics from existing levels could cause a revision of outlook to Stable.

JGPL, 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) and subsequently from August 2015, it commenced manufacturing of the same at Chennai, (Tamil Nadu).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the JGPL.

Key Rating Drivers

Strengths

Experienced management

Incorporated in 2008, JGPL is engaged in the manufacturing and trading of gram flour, urad dal and toor dal and other agro based products at Chennai (Tamil Nadu). Its directors include by Mr. Thilagavathi and Ms. Shrruthi Saravanan. Its management possesses around two and a half decades of experience in the aforementioned business.

Acuité believes that JGPL will continue to benefit from its experienced management and established track record in the industry.

Comfortable working capital management

Working capital operations remained comfortable, albeit a moderate increase in cycle. Gross Current Assets (GCA) stood at 48 days in FY2018 against 29 days in FY2017. GCA days were dominated by increase in inventory holding period which stood at 24 days in FY2018 and 12 days in FY2017, this was because the company's plans to begin trading operations. Further, increase in GCA days reflects increase in other current assets as on March 31, 2018 on account of advances given to suppliers of raw materials.

Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

Thin profit margins

The EBITA margins are thin in spite of marginal increase in FY2018. EBITA margins stood at 4.63 percent in FY2018 as against 3.75 percent in FY2017. Further, PAT margin of the company stood low at 1.74 percent in

FY2018 against 1.64 percent in FY2017 and 1.13 percent in FY2016, the increase in margins was due to shift towards manufacturing activities from trading in FY2015-16.

Going forward, Acuité expects the profitability to be impacted by increase its trading activities.

Deterioration in financial risk profile; albeit modest net worth

JGPL has moderate financial risk profile marked by tangible net worth of Rs. 23.64 crore as on 31 March, 2018 as against Rs. 19.67 crore as on 31 March, 2017. It includes unsecured loan of Rs. 5.00 crore as on 31 March, 2018 which is considered as quasi equity as same is subordinated to bank debt. The gearing stood at 1.04 times as on 31 March, 2018 as against 1.06 times as on 31 March, 2017. The debt of Rs. 24.63 crore mainly consists of term loan of Rs. 9.41 crore, unsecured loan of Rs. 3.51 crore and working capital borrowing of Rs. 11.72 crore as on 31 March 2017. Interest Coverage Ratio (ICR) stood at 3.49 times for FY 2018 as against 4.41 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.95 times in FY2018 as against 2.28 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.31 times as on 31 March, 2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.22 times as on 31 March, 2018 as against 0.27 times as on 31 March, 2017. Going forward,

Acuité expects the financial risk profile to be impacted by additional debt undertaken by the company to fund its working capital requirements.

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.

Outlook: Negative

The “**Negative**” outlook on JGPL’s bank facilities reflects Acuite’s belief that the financial risk profile is likely to deteriorate further on account of elongation in its working capital cycle, leading to deterioration in debt protection metrics as a result of higher than anticipated interest and finance charges. The rating may be downgraded in case of continued moderation in liquidity profile and its profitability margins. Conversely, the outlook may be revised to ‘Stable’ if the company is able to demonstrate efficient working capital management and maintains moderate debt levels.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	228.29	265.26	194.85
EBITDA	Rs. Cr.	5.97	9.95	4.59
PAT	Rs. Cr.	8.99	4.36	2.20
EBITDA Margin	(%)	4.63	3.75	2.36
PAT Margin	(%)	1.74	1.64	1.13
ROCE	(%)	19.74	23.62	23.42
Total Debt/Tangible Net Worth	Times	1.04	1.06	1.11
PBDIT/Interest	Times	3.49	4.41	5.89
Total Debt/PBDIT	Times	2.33	2.09	3.64
Gross Current Assets (Days)	Days	48	29	25

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. Cr.)	Ratings/Outlook
29-Jun-2018	Term Loan	LT	3.00	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	LT	3.50	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	LT	7.00	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Cash Credit	LT	11.00	ACUITE BBB-/Stable (Reaffirmed)
20-Apr-2017	Term Loan	LT	3.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	LT	3.50	ACUITE BBB-/Stable (Assigned)
	Cash Credit	LT	7.00	ACUITE BBB-/Stable (Assigned)
	Proposed Cash Credit	LT	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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00 (Revised from Rs. 7.00 crore)	ACUITE BBB-/Negative (Reaffirmed Outlook Revised)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.52 (Revised from Rs. 3.00 crore)	ACUITE BBB-/Negative (Reaffirmed Outlook Revised)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50 (Revised from Rs. 3.50 crore)	ACUITE BBB-/Negative (Reaffirmed Outlook Revised)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.16	ACUITE BBB-/Negative (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.21	ACUITE BBB-/Negative (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	8.11	ACUITE BBB-/Negative (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB- (Withdrawn)

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About Acuité Ratings & Research:

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