

Press Release

Hayath Foods

March 31, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 34.41 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 34.41 crore bank facilities of Hayath Foods. The outlook is '**Stable**'.

Hayath Foods (HF) is a Bangalore based entity, established in 2007 by Mr. Syed Mateen Aga, Mr. Tanzeem, Mr. Tahzeem and Mr. Tanzil. HF is engaged in the processing of fruit pulp from mango, guava etc. The firm also exports fresh fruits and fruit pulp.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Hayath Foods and Fairy Food Products Private Limited (FFPPL) have established track record of operations. FFPPL was incorporated in 1983 while Hayath Foods was established in 2007 by Mr. Syed Mateen Aga, Mr. Tanzeem, Mr. Tahzeem and Mr. Tanzil. The promoters have more than two decades of experience in the food and food products industry.

- **Moderate financial risk profile**

The group has moderate financial risk profile marked by moderate networth of Rs.19.18 cr as on 31st March 2016 as compared to Rs.11.26 cr as on 31st March 2015. The gearing of the group stood at 4.05 times as on 31st March 2016 as compared to 6.63 times as on 31st March 2015. The ICR stood at 1.42 times for FY2015-16 as compared to 1.38 times for FY2014-15. The EBITDA margin of the group is also healthy at 15.18 percent in FY2015-16 as compared to 15.89 percent in FY2014-15

- **Diverse product portfolio and geographic reach**

The group has diversified product portfolio and geographic reach. The group export its products to Middle East, USA, UK, Europe, Australia, New Zealand, Singapore and Malaysia and Japan.

Weaknesses

- **Working capital intensive nature of operations**

The group has working capital intensive operations marked by GCA days of 384 for FY2015-16 as compared to 352 days for FY2014-15 on account of high inventory days of 288 days for FY2015-16 as compared to 249 days for FY2014-15. The group's cash credit utilization is ~95 percent.

- **Exposure to fluctuations in forex rates and other risks**

The firm is exposed to fluctuations in forex rates and agro climatic conditions apart from changes in export regulations.

Analytical Approach

SMERA has taken a consolidated view on the business and financial risk profile of Fairy Food Products Private Limited (FFPPL) and Hayath Foods (HF) because of the similarity in the line of business of both the entities and common management.

Outlook: Stable

SMERA believes that the group will continue to maintain a stable outlook and benefit over the medium term from its experienced management and established market position. The outlook may be revised to 'Positive' in case the company registers substantial increase in its scale of operations while maintaining comfortable operating profit margins apart from managing its forex risks. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues or the financial risk profile deteriorates on account of higher-than-expected increase in debt-funded working capital requirements and capex.

About the Group

FFPPL has six group companies namely Hayath Foods, Navaras Food Products Limited, Safa Food Products Private Limited, Aga Fruit Mandi, Iman Fruit Company and Sreenivasa Processed Foods. All the entities are engaged in similar line of business, have intra-group operational and financial linkages, and are under a common management.

About the Rated Entity - Key Financials

On consolidated basis, the group reported net profit after tax (PAT) of Rs.1.32 cr on operating income of Rs.90.00 cr in FY2015-16 as compared to PAT of Rs.1.13 cr on operating income of Rs.84.61 cr in the previous year. The net worth stood at Rs.19.18 cr as on March 31, 2016 compared to Rs.11.26 cr a year earlier.

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.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
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4

Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	9.41	SMERA A4
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ABOUT SMERA

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