

Press Release

Hayath Foods

02 April, 2018



Rating Downgraded And Reaffirmed

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

* Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating to 'SMERA B+' (read as SMERA B plus) from 'SMERA BB-' (read as SMERA double B minus) and reaffirmed short term rating of 'SMERA A4' (read as SMERA A four) on the Rs. 34.41.00 crore bank facilities of Hayath Foods (HF). 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.

- **Diverse Product Portfolio and geographic reach**

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

Weaknesses

- **Weak financial risk profile**

The group has weak financial risk profile marked by high gearing of 4.61 times as on 31 March 2017 as against 3.94 times as on 31 March 2016. The total debt of Rs. 95.19 cr includes short term borrowing of Rs. 42.58 cr, unsecured loans of Rs. 4.79 cr and long term borrowing of Rs. 52.61 cr. The company has weak debt protection metrics evident from the interest coverage ratio of 1.35 times for FY2017 and 1.42 times in FY2016. Further, the company reported net cash accrual of Rs. 3.81 cr in FY2017 resulting in net cash accrual to total debt of 0.04 times in FY2017 as compared to 0.05 times in FY2015. SMERA believes that any further decline or non-improvement in the debt protection metrics like interest coverage ratio and net cash accruals to total debt would be key credit monitoring factors.

- **Working capital intensive nature of operations**

The group has working capital intensive operations marked by GCA days of 507 for FY2017 as compared to 436 days for FY2016 on account of high inventory days of 393 days for FY2017 as compared to 288 days for FY2016.

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

The group 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 group will continue to 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 and 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 company's financial risk profile deteriorates on account of higher-than-expected increase in debt-funded working capital requirements and capex.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	83.52	90.00	84.61
EBITDA	Rs. Cr.	13.99	13.66	13.44
PAT	Rs. Cr.	0.87	1.32	1.13
EBITDA Margin (%)	(%)	16.75	15.18	15.89
PAT Margin (%)	(%)	1.04	1.47	1.33
ROCE (%)	(%)	11.42	12.29	25.84
Total Debt/Tangible Net Worth	Times	4.61	3.94	6.47
PBDIT/Interest	Times	1.35	1.42	1.38
Total Debt/PBDIT	Times	6.36	5.51	5.41
Gross Current Assets (Days)	Days	507	436	392

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

None

Any other information

Not Available

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
March 31, 2017	Letter of Credit	Short Term	4.00	SMERA A4 (Assigned)
	Cash Credit	Long Term	6.00	SMERA BB-/Stable (Assigned)

	PC/PCFC	Short Term	15.00	SMERA A4 (Assigned)
	Post Shipment Credit	Short Term	9.41	SMERA A4 (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
Letter of Credit	NA	NA	NA	4.00	SMERA A4 (reaffirmed)
Cash Credit	NA	NA	NA	6.00	SMERA B+/Stable (Downgraded)
PC/PCFC	NA	NA	NA	15.00	SMERA A4 (reaffirmed)
Post Shipment Credit	NA	NA	NA	9.41	SMERA A4 (reaffirmed)

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ABOUT SMERA

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