

Press Release

Hayath Foods

D-U-N-S® Number: 67-779-4205

December 21, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 43.00 Cr. (enhanced from Rs.34.41 crore)
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs.43.41 crore (enhanced from Rs. 34.41 crore) bank facilities of Hayath Foods (HF). The outlook is '**Stable**'.

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 processing of fruit pulp from mango, guava, tomato and papaya, amongst others. The firm also exports fresh fruits and fruit pulp.

Analytical Approach

Acuité 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. Extent of Consolidation : Full

Key Rating Drivers

Strengths

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

FFPPL was incorporated in 1983 and Hayath Foods was established in 2007 by the promoters, thus having a track record of over three decades. The promoters have more than three decades of experience in the 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, Malaysia and Japan.

Weaknesses

- **Weak financial risk profile**

The weak financial risk profile of the group is marked by high gearing of 3.81 times in FY2018 as against 4.02 times in FY2017. The high gearing is attributed to low net worth of Rs.28.70 crore as against total debt of Rs.109.46 crore as on 31 March, 2018. The total debt of Rs.109.46 crore includes short term borrowing of Rs.76.63 crore, unsecured loan of Rs.20.25 crore and long term borrowing of Rs.12.58 crore. The group reported weak debt protection metrics evident from the interest coverage ratio of 1.34 times in FY2018 and 1.34 times in FY2017. This was on account of deterioration of the profitability profile. Further, the company reported net cash accrual of Rs.3.45 crore in FY2018 resulting in net cash accrual to total debt (NCA/TD) ratio of 0.04 times in FY2018 as compared to 0.04 times in FY2017. Acuité believes that any further decline or non-improvement in the debt protection metrics of 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 Gross Current Asset (GCA) days of 473 in FY2018 as compared to 481 in the previous year on account of high inventory days of 382 in FY2018 as compared to 385 in the previous year.

- **Exposed to foreign exchange currency risk, dependence on Agro climatic conditions and export regulations**

The group is exposed to foreign exchange currency risk, climatic risk and export regulations set by the government.

Outlook: Stable

Acuité believes that the group will continue to maintain 'stable' outlook over the medium term from its experienced management and established market position. The outlook may be revised to 'Positive' in case the group maintains comfortable operating profit margins and adequately manage its forex risks. Conversely, the outlook may be revised to 'Negative' in case the group 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 Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	96.06	99.69	90.00
EBITDA	Rs. Cr.	13.63	14.12	13.66
PAT	Rs. Cr.	0.94	0.80	1.32
EBITDA Margin	(%)	14.19	14.17	15.18
PAT Margin	(%)	0.97	0.80	1.47
ROCE	(%)	8.30	10.41	12.29
Total Debt/Tangible Net Worth	Times	2.14	2.22	3.94
PBDIT/Interest	Times	1.34	1.34	1.42
Total Debt/PBDIT	Times	6.73	6.30	5.51
Gross Current Assets (Days)	Days	473	482	436

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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
02-Apr-2018	Letter of Credit	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE B+ / Stable (Downgraded)
	Packing Credit	Short Term	15.00	ACUITE A4 (Reaffirmed)
	Post Shipment Credit	Short Term	9.41	ACUITE A4 (Reaffirmed)
31-Mar-2017	Letter of Credit	Short Term	4.00	ACUITE A4 (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BB- / Stable (Assigned)
	Packing Credit	Short Term	15.00	ACUITE A4 (Assigned)
	Post Shipment Credit	Short Term	9.41	ACUITE 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	Not Applicable	Not Applicable	Not Applicable	6.00 (enhanced from Rs.4.00 crore)	ACUITE A4 (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00 (enhanced from Rs.6.00 crore)	ACUITE B+ / Stable (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	17.00 (enhanced from Rs.15.00 crore)	ACUITE A4 (Reaffirmed)
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	12.00 (enhanced from Rs.9.41 crore)	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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