

Press Release

Jayalaxmi Enterprises

September 18, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.50 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' (read as ACUITE double B) to the Rs. 10.50 crore bank facilities of Jayalaxmi Enterprises (JE). The outlook is '**Stable**'.

Established in 1997, JE is a Karnataka based partnership firm engaged in processing and trading of cashew kernels with current installed capacity of 2500 MT annually. The operations of the firm are managed by the Hegde family comprising of Mr. A Vittalaraya Hegde, Mrs Veena V Hegde and Mr. Srinivas Hegde. The manufacturing facility is located in Udupi district of Karnataka.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Jayalaxmi Enterprises to arrive at the rating.

Key Rating Drivers:

Strengths

- **Experienced management:**

JE is a partnership firm is engaged in processing and trading of cashew kernels. The firm was established in 1997 and has a long track record of over two decades in cashew processing industry.

- **Comfortable working capital cycle**

The working capital cycle has improved with Gross Current Assets (GCA) improving to 47 days as on FY2018 (Provisional) from 69 days in the previous year. This is on account of debtor days improving to 18 days as on FY2018 (Provisional) from 25 days to the previous year. The inventory days have also improved to 20 days as on FY2018 (Provisional) from 28 days in the previous year.

Weaknesses

- **Low profitability margins**

The firm operates at thin profitability margins, which is the nature of the cashew processing industry. The firm reported operating margin of 1.68 percent in FY2018 (Provisional) as against 1.36 percent in FY2017. The net profit margin stood at 0.53 percent in FY2018 (Provisional) as against 0.40 percent in FY2017.

- **Presence in competitive and fragmented industry**

The firm operates in highly competitive cashew processing industry with intense competition from several unorganised player which limits the bargaining power of the firm.

- **Average financial risk profile**

The financial risk profile of the firm is moderate characterised by low net worth, comfortable gearing and moderate debt protection metrics. The net worth of the firm stood at Rs.6.51 crore as on FY2018 (Provisional) as compared to Rs.5.61 crore in the previous year. The gearing of the firm improved to 0.80 times as on FY2018 (Provisional) from 1.40 times in the previous year. The total debt stood at Rs.5.20 crore as on FY2018 (Provisional) comprising of working capital

facilities. Interest Coverage Ratio (ICR) stood at 2.23 times in FY2018 (Provisional) as against 2.08 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.87 times in FY2018 (Provisional) as against 1.81 times in FY2017. Net Cash Accruals/ Total Debt (NCA/TD) stood at 0.12 times in FY2018 (Provisional) as against 0.06 times in FY2017.

Outlook: Stable

Acuité believes that the outlook on JE will remain 'Stable' over the medium term backed by the experienced management. The outlook maybe revised to 'Positive' in case of improvement in profitability while sustaining the working capital cycle. Conversely, the outlook maybe revised to 'Negative' in case of decline in profitability or a stretch in the deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	94.17	87.97	62.16
EBITDA	Rs. Cr.	1.58	1.20	1.07
PAT	Rs. Cr.	0.49	0.35	0.40
EBITDA Margin	(%)	1.68	1.36	1.73
PAT Margin	(%)	0.53	0.40	0.64
ROCE	(%)	11.58	9.68	20.70
Total Debt/Tangible Net Worth	Times	0.80	1.40	0.88
PBDIT/Interest	Times	2.23	2.08	2.59
Total Debt/PBDIT	Times	3.29	6.31	4.17
Gross Current Assets (Days)	Days	47	69	62

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

Not Available

Any other information

Not Available

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>

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
31-Jul-2017	Cash Credit	Long Term	INR 10.5	ACUITE BB / 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	10.50	ACUITE BB / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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