

## Press Release

### Jaya Nutritions Private Limited

June 05, 2020

#### Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs.15.00 Cr. (Enhanced from Rs.12.50 Cr.)
<b>Long Term Rating</b>	ACUITE BBB / Outlook: Stable (Upgraded from ACUITE BBB-/Stable)

\* Refer Annexure for details

#### Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.15.00 crore bank facilities of JAYA NUTRITIONS PRIVATE LIMITED. The outlook is '**Stable**'.

The upgrade in rating is on account of consistent growth in the operating levels of the group, and improvement in the profitability and financial risk profile of the group. The operating income grew at a CAGR of ~18 percent in the last four years and it stood at Rs.166.12 crore (Provisional) in FY2020 as against Rs.142.66 crore in FY2019. Net profit margins stood at 0.82 percent (Provisional) in FY2020 as against 0.52 percent in FY2019. Moreover, being in line of manufacturing and trading of wheat based products which are essential products, group is not likely to be impacted by COVID-19.

#### About the company

Patna-based, Jaya Nutritions Private Limited (JNPL) was incorporated in 2010 and is engaged in the processing of wheat into Maida, Suji, Atta and Bran. The company is promoted by Ms. Jaya Bala, Mr. Shashank Priyadarshi and Mr. Nitin Abhishek. JNPL has its processing unit located in Patna with a capacity of 170 tons per day.

#### About the Group

Jaya Group (JG), promoted by Ms. Jaya Bala, Mr. Shashank Priyadarshi and Mr. Nitin Abhishek is engaged in the business of processing and trading of Maida, Suji, Atta and Bran. The group comprise of Jaya Nutritions Private Limited and Shri Shri Shambhunath Food Products Private limited which are engaged in processing of wheat and Tara Enterprises which is engaged in trading of wheat-based products.

#### Analytical Approach

For arriving at this rating, Acuite has consolidated the business and financial risk profiles of Jaya Nutritions Private Limited (JNPL), Shri Shri Shambhunath Food Products Private Limited (SSFPPL) and Tara Enterprises (TE) together referred to as the 'Jaya Group' (JG). The consolidation is in the view of similar line of business, common management, strong financial linkages between the entities and management stated posture of extension of support within the group companies. Extent of consolidation: Full.

### Key Rating Drivers

#### Strengths

- **Experienced management and established market position**

The promoters of the JG have been associated with the group since its inception which gives them an experience of a decade in the aforementioned industry. The experience of the promoters has helped the group to maintain strong relations with its customers and suppliers. And having an operational track record of around a decade in the wheat processing business has enabled them to have a strong market position as demonstrated by stable revenue growth in the past. The operating income of the group stood at Rs.166.12 crore (Provisional) in FY2020 as against Rs.142.66 crore in FY2019.

Acuite believes that the group will continue to derive benefit from its Promoters' experience and its market position.

#### • **Moderate financial risk profile**

The financial risk profile of the group is moderate marked by moderate net worth, healthy debt protection metrics and low leverage. The net worth stood at Rs.11.73 crore (Provisional) as on 31 March, 2020 as against Rs.10.36 crore as on 31 March, 2019, the slight improvement is on the account of accretion to reserves.

The group has followed a conservative financial policy in the past, the same is also reflected through its low gearing levels. The gearing level (debt-equity) stood at 0.34 times (Provisional) as on 31 March 2020 as against 0.51 times as on 31 March 2019 and it is expected to remain low over the medium term on account of absence of any debt funded capex and modest incremental working capital requirements. Total outside Liabilities-Total net worth (TOL/TNW) stood at 0.83 times (Provisional) as on 31 March, 2020 as against 0.85 times as on 31 March, 2019. The overall debt level of the group stood low at Rs.3.98 crore (Provisional) as on 31 March, 2020 with no long term debt. The coverage indicators are healthy marked by interest coverage ratio (ICR) and debt service coverage ratio (DSCR) of 2.95 times (Provisional) and 2.56 times (Provisional) simultaneously in FY2020 as against 2.43 times and 1.90 times in the previous year.

Acuite believes that financial risk profile of the group is expected to remain moderate backed by moderate net cash accruals and no major debt funded capex in near to medium term.

#### • **Working capital efficient nature of operations**

The working capital operations of the group are efficient in nature marked by Gross Current Assets (GCA) of 32 days (Provisional) in FY2020 as against 26 days in the previous year, the increase in on the account of increase in advances been given to the suppliers and government bodies. Inventory holding period stood at 13 days (Provisional) in FY2020 as against 18 days in FY2019 and debtors' collection period of 8 days (Provisional) in FY2020 as against 6 days in FY2019. Group enjoys credit period of 5-10 days from its creditors. Further the current ratio stood moderate at 1.65 times (Provisional) as on 31 March, 2020.

### **Weaknesses**

#### • **Vulnerability to the availability of raw materials and low profitability margins**

The wheat processing industry is exposed to agro-climatic risks, which might affect the availability of wheat in adverse weather conditions. Further, having presence of many players along with relatively low value-additive nature of operations limits the pricing flexibility and keeps profit under check.

### **Rating Sensitivities**

- Deterioration in the profitability of the group.
- Any deterioration in working capital cycle and liquidity profile of the group.
- Improvement in operating income and production capacity.

### **Material Covenants**

None

### **Liquidity Position: Adequate**

The group has adequate liquidity marked by moderate net cash accruals to no maturing debt obligations. JG generated net cash accruals of Rs.2.04 crore (Provisional) in FY2020 as against Rs.1.39 crore in the previous year. The cash accruals of the group are estimated to remain in the range of around Rs.2.20 crore to Rs.3.00 crore during FY2021-23. The average fund based working capital utilization stood at ~79 percent for the last 12 months ended March, 2020. The group maintained unencumbered cash and bank balances of Rs.0.63 crore (Provisional) as on 31 March, 2020. The current ratio stands moderate at 1.65 times (Provisional) as on 31 March, 2020.

Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of moderate cash accruals and efficient working capital cycle.

### **Outlook: Stable**

Acuite believes JG will maintain a 'Stable' outlook over the medium term. The group will continue to benefit from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in revenues along with significant improvement in operating margins or improvement in capital structure of the group. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital management, thereby impacting its financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	166.12	142.66
PAT	Rs. Cr.	1.37	0.74
PAT Margin	(%)	0.82	0.52
Total Debt/Tangible Net Worth	Times	0.34	0.51
PBDIT/Interest	Times	2.95	2.43

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
28-May-2019	Cash Credit	Long term	12.50	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	15.00 (Enhanced from Rs. 12.50 Cr)	ACUITE BBB / Stable (Upgraded)

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**About Acuite Ratings & Research:**

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