



## Press Release

### JEYYAM GLOBAL FOODS LIMITED (ERSTWHILE JEYYAM GLOBAL FOODS PRIVATE LIMITED)

December 06, 2024

#### Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	57.50	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	32.50	ACUITE BBB   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	90.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BB**' (read as **ACUITE double B**) on Rs.32.50 Cr. bank facilities of Jeyyam Global Foods Limited (Erstwhile Jeyyam Global Foods Private Limited) (JGFL). The outlook is '**Stable**'.

Acuite also assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on Rs.57.50 Cr. additional bank facilities of Jeyyam Global Foods Limited (Erstwhile Jeyyam Global Foods Private Limited) (JGFL). The outlook is '**Stable**'.

### Rationale for rating:

The upgrade of ratings considers the extensive industry experience of promoters, significant growth in scale of operations over the past 3 three years, efficient working capital management and significant improvement in financial risk profile following the initial public offering (IPO). The change in management has driven a significant growth in company's revenue at a compounded annual growth rate (CAGR) of 35 percent while maintaining an efficient working capital operations. Post the IPO in September 2024, the company's net worth has improved significantly to Rs.156.20 Cr. and is expected to improve the financial risk profile further over the medium term. JGFL is also currently investing in expanding existing capacities using the IPO proceeds, with the new capacities expected to be operational by Q1 FY2026, which would further boost revenue. Going forward, sustaining the revenue growth and improving the profitability will be a key rating monitorable.

### About the Company

Chennai based, Jeyyam Global Foods Limited (Erstwhile Jeyyam Global Foods Private Limited) was incorporated in 2008. Mr. Shripal Veeramchand Sanghvi, Mr. Vikash Mahipal, Mr. Shanmugam, Mr. Amit Agarwal, Mr. Sujathaa Mehta are directors of the company. The company is engaged in manufacturing food products, in the field of pulses, Processing black chana into fried grams and gram flour, other dal varieties. Major Products are fried gram, gram flour, Chana, urad dal and toor dal (sambhar dal), etc.

### Unsupported Rating

Not applicable

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the JGFL.

## **Key Rating Drivers**

### **Strengths**

**Extensive experience of the management aided in strong revenue growth over the past three years:**

The promoters Mr. Shirpal Sanghvi possess 35 years' experience as FMCG distributor in Tamil Nadu region, Mr.

Amit Agarwal possess an extensive experience in handling manufacturing while Mr. Sidharth Mehta is an expertise in finance. The collective experience of the promoters along with strong understanding of market dynamics aided in significant growth of JGFL's revenue over the past three years. The company registered revenue of Rs.629.83 Cr. in FY2024, Rs.382.21 Cr. in FY2023 and Rs.253.90 Cr. in FY2022, posting a compounded annual growth rate (CAGR) of 35 percent. Further, JGFL has registered revenue of Rs.375.68 Cr. till September, 2024, which is 48 percent higher than previous year's revenue for the same period and expected to close the year with the revenue range of Rs.780-800 Cr. The operating profit margin of the company are range bound between 4.5-5.5 percent over the last three years ending FY2024. However, absolute EBITDA has improved significantly from Rs.11.71 Cr. in FY2022 to Rs.17.35 Cr. in FY2023 and Rs.33.65 Cr. in FY2024. Consequently, the PAT margins have also improved marginally year-on-year. During the H1FY2025 the company has registered a margin of 5.59 percent indicating a similar operating profit margin for the current year. Acuite expects, the extensive experience of the management will benefit the business and financial risk profile of JGFL over the medium term.

#### **Efficient working capital operations:**

JGFL's working capital operations are efficiently managed as reflected through the gross current days of 74 days in FY2024, improved from 86 days in FY2023. The company has diversified sourcing network with procurement of raw material from multiple players depicting lower supplier concentration risk. Even though the raw material i.e chickpeas a seasonal crop, they are available throughout the year due to storage and processing. Ensuring a steady supply in the market. This helped in maintaining a lower inventory of raw materials at 30-40 days over the past three years. JGFL extends a credit period of 30-60 days to its customers and pays the suppliers upfront which helps for discounts, resulting lower creditor days. The company's utilization of it fund based working capital limits was averaging highly at 95 percent, however it has been utilized below 65 percent over the last two months after the IPO. Acuite expects the working capital management to remain efficient over the medium term on account of the lean inventory levels and limited credit period.

#### **Healthy financial risk profile:**

JGFL's financial risk profile is healthy marked by healthy net worth, low gearing and healthy debt protection metrics. The net worth of the company stood at Rs.80.22 Cr. as on March 31, 2024 compared to Rs.60.42 Cr. The improvement in net worth is due to accretion of profits to the reserves. During FY2024, JGFL issued bonus equity of Rs.17.10 Cr. funded from the reserves and surplus. During the H1FY2025 the company has issued an initial public offering and has received Rs.73.74 Cr. against the issue size. This resulted in significant improvement in net worth, which stood at Rs.156.20 Cr. as on September 30, 2024. Despite the marginal increase in overall debt levels to Rs.96.21Cr. as on March 31, 2024 from Rs.92.26 Cr. as on March 31, 2023, the gearing levels improved to 1.20 times. Further, the total outside liabilities to tangible net worth (TOL/TNW) also improved marginally to 1.40 times as on March 31, 2024 against 1.71 times as on March 31, 2023. The company's gearing level and TOL/TNW is estimated to improve significantly to below one due to substantial improvement in net worth post IPO. The debt protection metrics stood healthy with DSCR and ICR of 2.56 times and 3.77 times respectively as on March 31, 2024. Debt to EBITDA also improved to 2.86 times as on March 31, 2024 against 5.32 times as on March 31, 2023. Acuite believes that the financial risk profile of the company will improve significantly for FY2025 due to improvement in net worth post IPO and expected improvement in profitability.

#### **Weaknesses**

##### **Thin profit margins**

The EBITDA margins are thin in spite of marginal increase in FY2024. EBITDA margins stood at 5.34 percent in FY2024 as against 4.54 percent in FY2023. Further, PAT margin of the company stood low at 2.40 percent in FY2024 against 2.06 percent in FY2023, the increase in margins is due to better realizations for grains during the year. Going forward, Acuite expects the profitability to be impacted by any increase its trading activities.

##### **Agro climatic risk and government regulations**

The company is exposed to agro climatic risks. Black chana, the main raw material for production of fried gram and gram flour, is sown in November and harvested in February. The production of the same is dependent largely on agro climatic conditions. Further, the government's stance towards MSP on gram flour may create pressure on the profitability of the company.

#### **Rating Sensitivities**

##### **Positive:**

- Maintaining the revenue growth and improvement in profitability
- Higher than expected growth in revenue.

##### **Negative:**

- Any deterioration in working capital operations
- Any higher than expected infusion of debt leading to deterioration in the financial risk profile.
- Any decline in profitability.

### **Liquidity position: Strong**

JGFL's liquidity position is strong as reflected through sufficient net cash accruals against the repayment obligations, healthy unencumbered cash and bank balances and free deposits. The company registered NCA's of Rs.19.78 Cr. in FY2024, comfortably covering the debt obligation of Rs.2.30 Cr. for the same period. NCA's are expected to range between Rs.30-45 Cr. over the medium term which would comfortably meet the expected repayment range of Rs.5.5-7.0 Cr. The company's utilization of its fund based working capital limits was averaging highly at 95 percent, however it has been utilized below 65 percent over the last two after the IPO. Additionally, the company has Rs.33.22 Cr. in free fixed deposits and Rs.6.96 Cr. unencumbered cash & bank balances as on September 30, 2024 providing additional liquidity comfort. Acuite believes that the liquidity position of the company will remain strong over the medium term on account of sufficient cash accruals against repayment obligations and healthy free cash & bank balances.

### **Outlook: Stable**

#### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	629.83	382.21
PAT	Rs. Cr.	15.09	7.87
PAT Margin	(%)	2.40	2.06
Total Debt/Tangible Net Worth	Times	1.20	1.53
PBDIT/Interest	Times	3.77	3.97

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

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Apr 2024	Cash Credit	Long Term	20.00	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.50	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.16	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	0.21	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.52	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	8.11	ACUITE BB (Reaffirmed & Issuer not co-operating*)
30 Jan 2023	Cash Credit	Long Term	20.00	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.50	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.16	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	0.21	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.52	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	8.11	ACUITE BB (Reaffirmed & Issuer not co-operating*)
01 Nov 2021	Term Loan	Long Term	8.11	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
	Term Loan	Long Term	1.52	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
	Term Loan	Long Term	0.21	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
	Term Loan	Long Term	1.16	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
	Term Loan	Long Term	1.50	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)
	Cash Credit	Long Term	20.00	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB   Stable   Upgraded (from ACUITE BB )
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB   Stable   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.31	Simple	ACUITE BBB   Stable   Upgraded (from ACUITE BB )
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Jun 2027	2.78	Simple	ACUITE BBB   Stable   Upgraded (from ACUITE BB )
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Mar 2028	1.30	Simple	ACUITE BBB   Stable   Upgraded (from ACUITE BB )
Centrum Financial Services Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	21 Mar 2023	8.11	Simple	ACUITE BBB   Stable   Upgraded (from ACUITE BB )
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Mar 2028	1.13	Simple	ACUITE BBB   Stable   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	16 Jul 2028	11.37	Simple	ACUITE BBB   Stable   Assigned

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### About Acuité Ratings & Research

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