



Press Release

Jeyyam Global Foods Private Limited
May 05, 2020

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Long Term Bank Facilities	32.00	IVR BBB/Stable (IVR triple B with stable outlook)	Assigned
	Total	32.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Jeyyam Global Foods Private Limited derives comfort from its experienced promoters, established relationship with customers & suppliers, stable operating performance, satisfactory capital structure with comfortable debt protection parameters. However, the rating strengths are partially offset by susceptibility of its margins to movement in price of pulses, exposure to agro-climatic risk and intense competition in food Processing Industry. The rating also considers its exposure to government policies and working capital intensive nature of its operation.

Key Rating Sensitivities

Upward Rating Factors

- Substantial and sustained growth in operating income and profitability on a sustained basis
- Sustenance of the capital structure and improvement in debt protection metrics marked by sustenance of TOL/TNW at below 2x and interest coverage ratio at over 2x
- Improvement in working capital utilisation with utilisation of average bank borrowing to remain below 90% on a sustained basis and improvement in liquidity

Downward factor:

- Moderation in operating income and/or profitability impacting the cash accruals and debt protection metrics
- Any stretch in working capital cycle driven by pile-up of inventory or stretched receivables or sizeable unplanned capital expenditure affecting the financial risk profile, particularly liquidity



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- Withdrawal of subordinated unsecured loans (amounting to ~Rs.8.49 crore) treated as quasi equity or deterioration in overall gearing to over 1.5x and interest coverage to below 1.5x

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The operations of the company are looked after by Mrs. S. Thilagavathy and her daughter Ms. Shruthi Saravanan. Prior to formation of the company, Mrs. Thilagavathy was working with a food product manufacturing company. Her daughter Ms. Shruthi had completed her BBA and holds a Master's Degree in Business Administration from London.

- **Established clientele and supplier base**

The company has been able to develop established relationship with its clients and suppliers. The top nine clients accounted for ~16% of total sales in FY19 indicating a diversified customer profile. Moreover, the company also has a wide supplier base with top 10 suppliers accounting for ~58% of raw material purchases in FY19.

- **Stable operating performance**

The company registered a stable operating performance over the past three fiscals ended in FY19. Following a dip in total operating income in FY18 to Rs.228.26 crore from Rs.265.26 crore in FY17 due to decline in price of pulses and other commodities despite an overall increase in the volume traded, total operating income of the company grew to Rs.235.08 crore in FY19 driven by increase in volume sales and average sales realisation. The operating profit margin of the company though remained range-bound witnessed gradual improvement from 3.75% in FY17 to 5.38% in FY19. The PAT margin also remained range bound and thin in the range of ~1.50%-1.72% during the aforesaid period. During FY20 (provisional), the total operating income of the company grew to Rs.292.25 crore with a y-o-y growth of ~24% mainly driven by increase in sales from its online platform. With increase in sales from trading through online platform the EBITDA margin moderated marginally to 4.90% in FY20 (Prov.). However, the gross cash accruals of the company improved to Rs.7.01 crore in FY20 (Prov.) as compared to Rs.6 crore in FY19.



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- **Satisfactory capital structure with comfortable debt protection parameters**

The capital structure of the company remained satisfactory marked by its moderate leverage ratios as on the past three account closing dates. The overall gearing ratio improved from 1.01x as on March 31, 2019 to 0.65x as on March 31, 2020 (Prov.) mainly driven by accretion of profit to net worth, scheduled repayment of term loans and lower closing outstanding in bank borrowings. Total indebtedness of the company marked by TOL/ANW remained satisfactory at 1.25x as on March 31, 2019 and 0.95x as on March 31, 2020 (Prov.) To arrive at the adjusted net worth (ANW), Infomerics has considered ~Rs.8.49 crore of unsecured loans from the promoters/ directors as quasi-equity as the same is subordinated to the bank facilities. The debt protection parameters of the company remained healthy with interest coverage of 2.76x in FY20 (Prov.) [2.60x in FY19] and Total debt to GCA at 3.34 years in FY20 (Prov.) [5.24 years in FY19]. Infomerics expects that the financial risk profile of the company will continue to remain satisfactory in the near term.

Key Weaknesses

- **Susceptibility of margins to movement in price of pulses with exposure to agro-climatic risk and intense competition in Food Processing Industry**

The raw materials (Pulses) which consist of ~85% of the total cost are susceptible to fluctuations in production due to vagaries of nature. Moreover, the food processing industry is highly competitive and fragmented with presence of numerous small and medium sized players along with established players as well as low value additive nature of the work limits the profitability of the company.

- **Exposure to government policies**

JGFPL, like other players in the agro-commodity business, remains exposed to changes in the legal and regulatory environment such as revision of tax rates, changes in import duty, restriction on import of pulses etc.

- **Working capital intensive nature of operation**

To fund its working capital requirements the company is largely dependent on the bank borrowings. Consequently, the average working capital limit utilization of the company remained high at ~95% for the past twelve months ending February, 2020.



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Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its scheduled debt repayment obligation in the range of ~Rs.2-3 crore during FY21-22. The company earned a GCA of Rs.6.00 crore in FY19 as against its repayment obligation of Rs.1.24 crore and GCA of ~Rs.7.0 crore in FY20 (Provisional) as against its repayment obligation of Rs.3.26 crore in FY20. However, its bank borrowing limits remained highly utilized to the extent of ~95% during the past 12 months ended February 2020 indicating a low liquidity buffer. However, the company has sought for enhancement in its bank lines and sectioning of the same is crucial for the liquidity position of the company.

About the Company

Jeyyam Global Foods Private Limited (JGFPL) is engaged in processing of Dal with a Dal Mill based in Salem, Tamil Nadu along with B2B trading of other value added products such as gram flour, sugar, dry fruits etc. through its online platform, 'Mandee' launched in November, 2019. The company has two factory (Dal Mills) with an annual production capacity of 40,540 MT per annum located in Salem. The company is looked after by Mrs. S. Thilagavathy and her daughter, Ms. Shruthi Saravanan.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	235.08	292.25
EBITDA	12.65	14.31
PAT	4.04	4.72
Total Debt	31.44	23.44
Tangible Net worth	31.16	35.90
EBITDA Margin (%)	5.38	4.90
PAT Margin (%)	1.72	1.62



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For the year ended* As on	31-03-2019	31-03-2020
Overall Gearing Ratio (x)^	1.01	0.65

*classification as per Infomerics standard

^ Loan from directors, related parties and group companies has been treated as Quasi-equity

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	29.88*	IVR BBB/Stable Outlook	-	-	-
2.	Term Loan	Long Term	2.12	IVR BBB/Stable Outlook	-	-	-

*Includes proposed limit of Rs. 9.88 crore

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually



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widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	29.88*	IVR BBB/Stable
Long Term Bank Facilities – Term Loan	-	-	-	2.12	IVR BBB/ Stable

*Includes proposed limit of Rs. 9.88 crore