

Jivo Wellness Private Limited

December 06, 2022

Ratings

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|------------------------------|---|--|---|
| Long Term Bank Facilities | 21.69 | CARE BBB-; Stable (Triple B Minus; Outlook: Stable) | Assigned |
| Long Term Bank Facilities | 10.39 (Enhanced from 0.83) | CARE BBB-; Stable (Triple B Minus; Outlook: Stable) | Rating removed from ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable; (Double B Plus; Outlook: Stable) |
| Short Term Bank Facilities | 3.75 | CARE A3 (A Three) | Assigned |
| Short Term Bank Facilities | 1.10 | CARE A3 (A Three) | Rating removed from ISSUER NOT COOPERATING category and Revised from CARE A4+; (A Four Plus) |
| Total Bank Facilities | 36.93 (₹ Thirty-Six Crore and Ninety-Three Lakhs Only) | | |

Details of instruments/facilities in Annexure-1.

The ratings previously assigned to the bank facilities of Jivo Wellness Private Limited (JWPL) were denoted as CARE BB+; Stable/CARE A4+; ISSUER NOT COOPERATING as the company did not provide the requisite information for monitoring the ratings. Further, in line with the extant SEBI guidelines, CARE Ratings Ltd. had reviewed the rating on the basis of the best available information. However, the company has now submitted the requisite information to monitor the ratings and CARE Ratings Ltd has carried out a full review of the ratings and the ratings stand at 'CARE BBB-; Stable/CARE A3.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Jivo Wellness Private Limited (JWPL) continues to derive strength from extensive experience of the promoters, established distribution network, growing acceptability of Canola Oil with affordable pricing, comfortable debt coverage indicator marked by low overall gearing and comfortable interest coverage ratio, stable scale of operations and improving profitability. The rating of JWPL is however constrained by exposure to foreign exchange fluctuations and intense competition with presence of large number of unorganized players. The ratings also take cognizance of large size project under implementation and company's exposure to timely execution and stabilization risk subsequently.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Significant improvement in scale of operations and increase in the PBILD margin to 8% on a sustained basis.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Decline in PBILD margin below 6.00%.
- Deterioration in the overall gearing beyond 1.00x.
- Any time or cost overrun in the project or delay in mobilization of project funds impacting the cash accruals/liquidity of the company.

Detailed description of the key rating drivers

Improving scale of operations albeit low profitability margins: JWPL has reported a growth of 28% in its total operating income to Rs. 188.06 Crore in FY22 (refers to the period from April 1 to March 31) (PY Rs. 134.97 Cr). The contribution of Canola oil and wheat grass juice in total revenue of the company increased from Rs. 109.84 crore in FY21 to Rs. 139.46 crore in FY22. The growth is on account of better sales realisation supported by healthy demand for edible oils. During H1FY23 company has reported total operating income of Rs. 76.77 Cr and expected to achieve Rs. 198.63 crore in the current fiscal on the back of firm demand emanating from festivities and marriage season during H2FY23. During H2FY22 (October 1, 2021, to March 31, 2022) JWPL booked around 65% of total sale owing to increase in demand and better sales realization of Canola Oil in domestic market. The Profitability margin of the company has deteriorated to 3.34% in FY22 from 4.20% in FY21 on account of decline in sale of wheat grass juice bottle to Rs. 0.97 Cr in FY22 (PY 4.96 Cr) owing to low production as the company has shifted its manufacturing unit from kundli to Bhakharpur Haryana coupled with decrease in average sales

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

realisation of wheat grass juice bottles to ~Rs. 10 per bottle in FY22 from ~ Rs. 20 per bottle to gain higher sales volume. JWPL was also engaged in trading of stationery items and providing transportation services at concessional rates to the "Akal Academies" run by "The Kalgidhar Society" and "The Kalgidhar Trust" which had thin margins, owing to which PBILDT margin in the past were impacted. However, now these two segments have been shifted to other entity i.e Jivo Mart (subsidiary of JWP) with expected improvement in PBILDT margin in the coming years. During H1FY23 company has reported PBILDT margin of 4.48%.

Extensive experience of promoters: JWPL is managed by Mr. Gupreet Singh and Ms. Charanjeet Kaur. Mr. Singh is a graduate and has a vast experience of around three decades. Mr. Singh looks after the purchase and strategy development division of the company. Mr. Singh is ably supported by Mr. RPS Kohli, who holds a bachelor's degree in Science (Physics) from Sambhalpur University, Orissa and has an experience of over two decades. Mr. Kohli has worked extensively with the charitable institutions "The Kalgidhar Trust" and "The Kalgidhar Society" (rated CARE BBB; Stable/CARE A3 as on January 22, 2020).

Established distribution network base: JWPL introduced Canola oil in India in 2010 which attracted favourable response from customers looking for healthy oil options at affordable prices in the northern and western region of India. The company is reaping benefits of being first mover in offering new product, JWPL was able to widen the customer base over the years reflecting acceptability of the product which was further assisted by word-of-mouth publicity and promotions in the print media. The company also has a well-diversified network of about 34,000 retail distributor counters located PAN India. Currently, Jivo enjoys reputation of being one of the largest sellers of Canola oil in India.

Growing acceptability of Canola Oil with affordable pricing: Canola Oil contains monounsaturated fat and has better nutritious content in comparison to other cooking oils. The oil is also helpful in reducing the risk of coronary diseases. Canola Oil is expelled from Canola seed planted majorly by the Canadian plant breeders which thus abbreviated Canola oil from 'Canadian Oil, Low acid'. Owing to the health benefits the market of the product is anticipated to expand in the near future. The nutritious value of Canola oil is often compared with Olive Oil; however, the price of Canola Oil is comparatively reasonable between Rs. 130-200 per litre while the current retail price of Olive oil is between Rs. 500-1500 per litre.

Comfortable Financial risk profile: The financial risk profile of the company continues to remain comfortable marked by low overall gearing of 0.60x as on March 31, 2022 (PY: 0.66x). Total debt to GCA of the company stood moderated at 3.02x as on March 31, 2022 (PY: 2.47x) owing to increase in term loan and increase in working capital outstanding as on March 31, 2022. Interest coverage ratio of the company remained at comfortable and stood healthy at 11.02x supported by improvement in PBILDT of the company from Rs. 5.67 crore in FY21 to Rs. 6.29 crore in FY22.

Key rating weaknesses

Exposure to risks of foreign exchange fluctuations though limited: The company majorly meet its Canola Oil demand through imports from Canada or Dubai. JWPL directly faces foreign exchange fluctuation risks in the value of goods it imports. The company make payment to its Canola Oil suppliers at the time of dispatch and pass on the same price to its customer after adding its margin; hence, the foreign exchange risk is very limited. The company reported forex gain of Rs. 0.12crore in FY22 (PY: Rs. 0.19 crore).

Competition with presence of unorganised players: With the rapidly increasing demand and future growth prospects of the wellness products, the wellness industry has attracted a large number of domestic and international entrants in the recent years. The competition in the industry has been intensified by the introduction of Canola oil by organised brands viz. Dalmia Continental's "Hudson", Healthy Living in addition to the presence of various unorganised player's viz. Dalda Canola Oil, Amber Canola Oil, Mazola Canola Oil, etc.

Project execution and stabilisation Risk: JWPL has undertaken capex to the tune of Rs. 48.32 Cr for setting up a unit for processing and integrated cold chain facility for wheat grass juice, vegetables and fruits at village Bhakharpur, Sonipat Haryana. The total cost of the project is Rs. 48.32 Cr. which will be funded through term loan of Rs. 15.00 Cr, internal accruals and unsecured loan of Rs. 22.33 Cr and subsidy grant from Ministry of Food Processing Industries of Rs.10.00 Cr. Till Oct 2022 the expenditure incurred on the project is ~ Rs. 29.73 Cr that has been funded through the mix of internal accruals and USL of Rs. 16.87 Cr, Term loan of Rs. 10.49 Cr and subsidy grant of Rs. 2.37 Cr. The completion of the said project without any time and cost overrun remains crucial. Expected COD of the project is Dec 2022.

Industry prospects: The demand for edible oils in India was affected due to lockdown situation in the country. Even while restrictions are eased, consumption from bulk consumers (major segment) continues to face challenges as home deliveries and

takeaway are preferred over dining at restaurants by some consumers. Also, restaurants are advised to operate at reduced capacities which are driven by regulations in respective locations. Further, restriction on social gatherings is also affecting demand of edible oils. All these factors will continue to keep the consumption levels of edible oils low in the country which, in turn, will support the downward trend in their imports. The company is a trader of Canola oil in India. After importing the ready oil, JWPL packages the Canola oil and sells it in its own brand name 'Jivo'. The market for canola oil is driven by several growth inducing factors. The major driving force of the demand is the widening applications of the Canola oil across various sectors such as food, cosmetics and industrial.

Liquidity: Adequate

The liquidity position of the company remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations. Further, the liquidity profile of the company is also supported by stable cash accruals. The company has repayment obligations of Rs. 3.22 crore against expected GCA of Rs. 8.69 crore and free cash and bank balance of Rs. 6.82 crore as on March 31, 2022. Working capital limits utilization for trailing twelve-month period ending September 2022 stood moderate at 66.66%.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning outlook and credit watch to credit ratings](#)

[CARE's policy on default recognition](#)

[Criteria for short term instruments](#)

[Rating methodology – Manufacturing companies](#)

[Financial ratios – non-financial sector](#)

[Liquidity analysis – non-financial sector entities](#)

[Rating Methodology – Wholesale trading](#)

About the company

Jivo Wellness Private Limited, introduced as a unit of Akal Information Systems Limited, commenced business by importing and trading of Canola Oil under the brand 'Jivo' in 2009. Jivo Wellness Private Limited (JWPL), thus incorporated in September 2010, commenced operations by setting up a first of its kind rotary EOP plant (packaging unit) in India with a bottling capacity of over metric tonnes per month in Kundli, Haryana. JWPL established with the objective of serving the society by providing wellness products and nutrients/ supplements. The company currently has a target market segment of middle and upper middle-income group in urban areas of Tier-I and Tier-II cities. The company is engaged in packaging and trading of Canola edible oil and manufacturing and trading of wheat grass juice. The company markets its oil product through two major sub-classifications viz. General merchant stores (Brick and Mortar departmental stores) and modern trade (viz. departmental stores like Big Bazaar, Hypermarket, Easyday, Walmart etc.).

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | H1FY23 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income | 134.98 | 188.07 | 76.77 |
| PBILDT | 5.67 | 6.29 | 3.44 |
| PAT | 3.42 | 3.28 | 1.39 |
| Overall gearing (times) | 0.66 | 0.60 | NA |
| Interest coverage (times) | 15.71 | 11.02 | 5.93 |

A: Audited UA: Unaudited NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|--|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Term Loan | | - | - | June 2024 | 10.39 | CARE BBB-; Stable |
| Fund-based - LT-Working Capital Limits | | - | - | - | 21.69 | CARE BBB-; Stable |
| Non-fund-based - ST-Bank Guarantee | | - | - | - | 1.10 | CARE A3 |
| Non-fund-based - ST-Letter of credit | | - | - | - | 3.75 | CARE A3 |

Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|-------------------|---|--|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based - LT-Term Loan | LT | 10.39 | CARE BBB-; Stable | 1)CARE BB+; Stable; ISSUER NOT COOPERATING* (21-Sep-22) | 1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (24-Mar-22) | 1)CARE BBB-; Stable (15-Feb-21) | 1)CARE BBB-; Stable (28-Jan-20) |
| 2 | Non-fund-based - ST-Bank Guarantee | ST | 1.10 | CARE A3 | 1)CARE A4+; ISSUER NOT COOPERATING* (21-Sep-22) | 1)CARE A3; ISSUER NOT COOPERATING* (24-Mar-22) | 1)CARE A3 (15-Feb-21) | 1)CARE A3 (28-Jan-20) |
| 3 | Fund-based - LT-Cash Credit | LT | - | - | - | - | 1)Withdrawn (15-Feb-21) | 1)CARE BBB-; Stable (28-Jan-20) |
| 4 | Fund-based - LT-Working Capital Limits | LT | 21.69 | CARE BBB-; Stable | | | | |
| 5 | Non-fund-based - ST-Letter of credit | ST | 3.75 | CARE A3 | | | | |

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

| Sr. No. | Name of Instrument | Complexity Level |
|---------|--|------------------|
| 1 | Fund-based - LT-Term Loan | Simple |
| 2 | Fund-based - LT-Working Capital Limits | Simple |
| 3 | Non-fund-based - ST-Bank Guarantee | Simple |
| 4 | Non-fund-based - ST-Letter of credit | Simple |

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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