Jyotirmayee Foods Private Limited

December 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	30.00	CARE B+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Jyotirmayee Foods Private Limited (JFPL) is tempered by small scale of operations with low net worth base, moderate profit margins and leveraged capital structure with weak debt coverage indicators. liquidity is stretched, backed by moderately low gross cash accruals levels and almost full WC utilization in the last 12 months ended October 2024. The ratings, however, derive strength from the experienced promoters and long business track record, locational advantage and stable industry outlook.

Further, JFPL has established a delay free track record for more than three months from the date of last reported delay.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the capital structure marked by overall gearing improving to 1.75x going forward
- Improvement in working capital cycle to 90 days.
- Scaling up of operations and maintaining the PBILDT margin above 6% on a sustained basis

Negative factors

- Any further reduction in net profit margins from its current levels.
- Widening of its working capital cycle to above 150 days.

Analytical approach: Standalone

Outlook: Stable
CARE Ratings Limited (CARE Ratings) believed that JFPL will continue to benefit from promoter's experience, and its locational advantage.

Detailed description of key rating drivers:

Key weaknesses

Improved albeit small scale of operations and moderate profit margins: The Total Operating Income (TOI) of JFPL grew at a compounded annual growth rate (CAGR) of 22.65% over the past five years, ending in FY24. The TOI increased by 6% to Rs.130.86 crore in FY24 as compared to Rs. 123.33 crore in FY23, driven by increase in sales volume backed by higher demand for its rice bran crude oil. However, In FY24 the PBILDT margin declined yet remain modest at 4.28%, reflecting a year-on-year decrease of 148 bps compared to FY23, due to lower sales realization coupled with increase in trading sales. The Return on Capital Employed (ROCE) was modest at 7.83% in FY24, down from 12.78% in FY23. The scale of operations remained small, limiting the entity's ability to significantly expand its business. Additionally, industry competition is expected to continue.

Leveraged capital structure with low net worth base and weak debt coverage indicators: The entity's capital structure remains leveraged, with an overall gearing ratio of 2.56x as of March 31, 2024, compared to 2.57x as of March 31, 2023, indicating a high reliance on external debt with marginally weak Debt coverage indicators, evidenced by a moderate PBILDT interest coverage ratio of 1.8x in FY24, down from 2.67x in FY23. The total debt to gross cash accruals (TD/GCA) ratio stood high at 15.09x in FY24, compared to 9x in FY23. This decline was due to lower profitability, despite stable debt levels. The debt profile

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

predominantly consists of external debt in the form of working capital and term loans (including vehicle loan). Further, net worth of the company stands modest at Rs.15.07 crore as on 31st March 2024.

Working capital intensive nature of operations: The entity's operations are highly working capital intensive. The company is heavily reliant on bank borrowings with average utilization for the past 12 months ended Sept 2024 at 97.45%. The operating cycle of the company elongated from 112 days in FY23 to 120 days in FY24, on account of higher inventory days at 119 days in FY24 as compared to 110 days in FY23. Further, the average collection period increased to 35 days in FY24 as compared to 25 days in FY23, which is partially offset by increase in average creditor days to 34 days in FY24 from 23 days in FY23.

High degree of competition and fragmented nature of industry: The Indian edible oil industry has numerous domestic as well as multinational giants such as Adani Wilmar, Agro Tech Foods, Marico etc and many more small regional players. Due to the presence of numerous player the profit margins are thin as there is very little differentiation and very high price competition. Additionally, India is a net importer of edible oil as a result the prices are affected by global price fluctuations and import duties on edible oils. Many small players focus on specific type of oils like mustard oil, sunflower oil, palm oil, rice bran oil etc to cater to regional preferences. The lack of infrastructure and storage facilities makes supply chain inefficient making smaller players more agile to cater regional demands. This prevents the consolidation and leads to fragmented nature of the industry.

Liquidity: Stretched

The liquidity position of JFPL stands stretched owing to tight GCA against the repayment obligations for FY25. The reliance on working capital borrowing remains high with almost full utilization of WC borrowings. Liquidity further factors the elongated operating cycle and low cash balance of Rs 0.06 crore as on March 31, 2024. However, Liquidity is supported by just above current ratio at 1.13x and positive CFO at Rs 2.26 crore as on March 31, 2024, which is expected to continue in the future.

JFPL has established a delay free track record of over last 4 months ended October 2024, where it has regularised its Term loans.

Key strengths

Experienced promoters with strong industry track record: JFPL is promoted by R. H. Ramgopal (current Chairman), and his family members who brings extensive industry experience and overseas operations. SVK Varun Ravipati (S/o, R. H. Ramgopal) is the current Managing Director who has around 1.5 decades of experience and is responsible for the overall operations of the company. SVM Raghu Ram Ravipati, Director, also brings industry experience and supports in the operational activities of the company. The promoters possess over three decades of experience in the rice milling industry, coupled with expertise in business of Shipping C&F Agent, Transport and Warehousing, which has enabled them to understand market trends and establish strong ties with suppliers and customers.

Favourable location and easy availability of raw material: The solvent extraction plant of JFPL is located at East Godavari district which is the one of the top for producing paddy in Andhra Pradesh and there are many rice milling units operating in and around east Godavari district, which ensures easy raw material access and smooth supply of raw materials at competitive prices and lower logistic expenditure.

Stable industry outlook: The rice bran oil industry in India has seen significant growth in recent years. Traditionally a by-product of rice milling used for cattle and poultry feed, rice bran has become a valuable commodity due to its health benefits and the increasing demand for edible oils. Rice bran oil is known for its cholesterol-lowering and antioxidant properties, making it popular among health-conscious consumers. India is the second largest producer of rice in the world and one of the largest producers of rice bran oil globally, with a significant portion of the production concentrated in states like Andhra Pradesh and Telangana. The government is also pushing the edible oil producers as marked by the National Mission on Edible Oils – Oilseeds (NMEO-Oilseeds) approved by the Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, a landmark initiative aimed at boosting domestic oilseed production and achieving self-reliance in edible oils.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Nil

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Manufacturing Companies]
[Financial Ratios – Non financial Sector]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Edible Oil

Jyotirmayee Foods Private Limited (JFPL) was incorporated in the year 2007. The company is promoted by Mr. R H Ramgopal, who is chairman of the company, Mr. R.S.V.K who is managing director and S.V.M Raghuram who is director of the company. JFPL is engaged in production of rice bran edible crude oil and de-oiled rice bran (DORB). The company has a solvent extraction plant located at Surampalem road, Peddapuram, East Godavari, with as installed capacity of 500MT of rice bran processing per day. The unit started its commercial operations from June 2011. The main raw material is the Rice Bran which is further processed to produce Rice Bran (RB) Oil and De Oiled Rice Bran (DORB). The crude RB Oil is sold to various refineries and DORB is majorly supplied to cattle and fish feed companies.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	123.33	130.86	65.11
PBILDT	7.11	5.60	3.01
PAT	3.20	0.93	0.71
Overall gearing (times)	2.57	2.56	NA
Interest coverage (times)	2.67	1.80	1.88

A: Audited UA: Unaudited; Note: These are latest available financial results, NA: Not available

Status of non-cooperation with previous CRA: Brickwork Ratings has categorized the rated bank facilities of JFPL under the non-cooperation category vide PR dated March 12, 2024, on account of its inability to carry out a rating exercise in the absence of the requisite information from the company.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE B+; Stable

Annexure-2: Rating history for last three years

<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Name of the Instrument/ Bank Facilities</th><th colspan="3">Current Ratings</th><th colspan="4">Rating History</th></tr>
<tr><th>Type</th><th>Amount Outstanding (₹ crore)</th><th>Rating</th><th>Date(s) and Rating(s) assigned in 2024-2025</th><th>Date(s) and Rating(s) assigned in 2023-2024</th><th>Date(s) and Rating(s) assigned in 2022-2023</th><th>Date(s) and Rating(s) assigned in 2021-2022</th></tr>
<tr><td>1</td><td>Fund-based - LT-Cash Credit</td><td>LT</td><td>-</td><td>-</td><td>1)CARE D; ISSUER NOT COOPERATING*
(18-Oct-24)

2)Withdrawn
(18-Oct-24)

3)CARE D; ISSUER NOT COOPERATING*
(05-Jul-24)</td><td>1)CARE B+; Stable; ISSUER NOT COOPERATING*
(08-May-23)</td><td>1)CARE B+; Stable; ISSUER NOT COOPERATING*
(02-May-22)</td><td>-</td></tr>
<tr><td>2</td><td>Fund-based - LT-Cash Credit</td><td>LT</td><td>30.00</td><td>CARE B+; Stable</td><td></td><td></td><td></td><td></td></tr>
</table>

*Issuer did not cooperate; based on best available information.
LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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