



## IPO Note

# Jeyyam Global Foods Limited

Recommendation: **AVOID!**

### Company Background -

- Jeyyam Global Foods Limited was originally formed and incorporated as "Kichoni Online Services Private Limited" on March 24, 2008. The registered office is located at Gopalapuram, Chennai.
- The Company is mainly engaged in the manufacturing and/or processing and supply of Bengal Gram (locally known as 'Chana'), Fried Gram, and Besan Flour to wide variety of market like Distributors, Large Retailers, Hotels, Restaurants, Caterers, Branded Supermarkets and Wholesalers.
- The company had 155 permanent employees as of March 31, 2024.

### Objects of the Issue -

- Funding of Working Capital Requirements
- Capital Expenditure
- General Corporate Purposes

### Promoters Name -

Shripal Veeramchand Sanghvi, Amit Agarwal, Sujathaa Mehta, Shanti Guru Industries Limited, Sarika Ssangavi, M/s Shripal Sanghvi HUF and M/s Mahipal Sanghvi HUF

### Rationale for recommendation -

- ✓ The PE on post-annualized basis is 19.20 times making it slightly highly priced compared to its peer's PE of 9.24 times.
- ✓ The top line and bottom line have seen exponential growth which might not be sustainable.
- ✓ The bottom line and PAT margins have increased with low margins.
- ✓ The company had negative cash flow from operations for FY 2024 and 2023.
- ✓ The peer company has better cash conversion cycle.
- ✓ The revenue is concentrated in Tamil Nadu.
- ✓ The industry is highly fragmented.

### IPO Details

Opening Date	Sep 02, 2024
Closing Date	Sep 04, 2024
Allotment Date	Sep 05, 2024
Listing Date	Sep 09, 2024
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹59 to ₹61
Issue Size	81.94 Cr.
Fresh Issue	73.74 Cr.
Offer for Sale	8.19 Cr.
Application Amt	₹ 1,22,000 (2,000 shares)

### INDUSTRY - FMCG

P/E Average - 41.5

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	25,388.30	38,217.00	62,981.00
EBITDA	1,152.19	1,700.96	3,292.30
Net Profit	436.80	786.80	1,509.11
RoCE	13.27%	15.12%	26.13%
ROE	7.63%	12.08%	18.81%
P/E	0.74	0.47	14.32

### Promoter Share Holding Pattern

Pre-Issue	Post Issue
92.00%	68.58%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	4.26	3.18
BVPS	22.66	32.42
P/E	14.32	19.20
P/BV	2.69	1.88
Mkt Cap (In Cr)	215.99	289.73

### Lead Managers -

Corpwis Advisors Private Limited

### Registrar -

Kfin Technologies Limited

## Business Overview -

### Company History -

Jeyyam Global Foods Limited was originally incorporated as “Kichoni Online Services Private Limited” with the object to collect and sell data online. But the company did not start any business in this segment and later changed their objective to manufacturing, processing and trading of FMCG products.

Jeyyam Food Park LLP (JFP LLP) was an entity set up to put up a pulses processing plant. Later, JFP LLP and Jeyyam Global Foods Limited entered into an amalgamation agreement considering there would be multiple synergies for growing the business in size.

### Business -

The company specializes in manufacturing and/or processing and supply of Bengal Gram (locally known as ‘Chana’), Fried Gram, and Besan Flour under the brand name “Jeyyam” to wide variety of market like Distributors, Large Retailers, Hotels, Restaurants, Caterers, Branded Supermarkets and Wholesalers. Also, the company is continuously engaged in undertaking research and development and is ready to enter the B2C business of spices and masala, ready to cook and ready to eat foods, salt, sugar, soya and vermicelli, among others.

### Manufacturing units and capacity utilization -

The manufacturing unit of the company is located at Tamil Nadu and Andhra Pradesh. The capacity utilization for both the units stood at for 56.6% for cleaned chana, 47% for fried gram and 61% for Besan, for FY 2024.

### Revenue Bifurcation product-wise -

Particulars	FY 2022	FY 2023	FY 2024
<b>Chana &amp; Related Products</b>	<b>24,301.06</b>	<b>27,536.14</b>	<b>62,212.83</b>
<b>Others</b>			
Sugar	600.32	10,233.92	598.69
Value Added products*	387.20	340.72	45.85
Gunny/ Charcoal/ Scrap	99.72	106.22	123.63
<b>Total</b>	<b>25,388.30</b>	<b>38,217.00</b>	<b>62,981.00</b>

\*It includes masala powders and instant mix products.

### Products -

- Chana or Chickpeas** - They are high in vitamins, minerals, fiber and protein. These characteristics are responsible for most of their health benefits, which range from weight management to blood sugar control.
- Gram Dal** - These are Chickpeas that has been split and polished. It is delicious, nutritious and easily digested.
- Besan** - It is a product obtained by grinding, dried Chickpeas. It has higher percentage of fibre than other pulses, no gluten and a higher percentage of protein than other pulses.



The company's future key offerings Soya, Vermicelli, Whole toor dal, Toor dal split, Urad dal and moong dal. They are also undertaking R&D for kitchen essentials like masala, pickles, ready to cook mix etc.

### Revenue Bifurcation Geography-wise (%) -

State	FY 2022	FY 2023	FY 2024
Tamil Nadu	94.05	91.80	81.95
Karnataka	4.90	6.71	11.81
Andra Pradesh	0.17	0.10	5.52
Others	0.88	1.39	0.72
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

(Amt in Lakhs)

## Competition -

**Market Competition:** The food processing and FMCG sector is highly competitive where the key factors of competition primarily comprises of quality, price and variety of the products.

**Geographic Competition:** The company faces competition in regional, national, and international players from large and small players.

**Barriers to entry:** Low barriers to entry.

**Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

**Bargaining Power of Buyers:** The bargaining power is high with the customers.

## Business Strategies -

**Short and medium term growth strategies:** The company intends to set up manufacturing facilities at multiple source locations and reduce transportation costs and increase local presence.

**Commencing Export operations:** The company plans to export chana in the global market after analysing the demand from the international market.

**Future expansion:** The Company intends to expand the capacity of Salem Unit and setting up the integrate units for cleaning and grading at new locations. Apart from the same, they also plan to set up a manufacturing facility for soya and vermicelli at Salem.

**Strategic Marketing and distribution:** The company plans to allocate resources to brand building.

## Risk Factors -

The company's top 10 customers contributed to 63% and 46% for Feb-2024 and 2023 respectively of total revenue.

The company's majority revenue is generated from chana and related products which accounted for 99%, 72% and 96% for FY 2024, 2023 and 2022.

The company derives major chunk of revenue from Tamil Nadu which accounted for 81.59%, 91.80% and 94.05% for FY 2024, 2023 and 2022 respectively.

The company has 17 outstanding cases regarding tax matters (8), TDS matters (5), criminal matter (1) and other litigations amounting to Rs. 236.38 lakhs.

The company had negative cash flow from operations for FY 2024 and 2023.

The company has contingent liabilities of Rs. 718.61 lakhs.

## PEER ANALYSIS

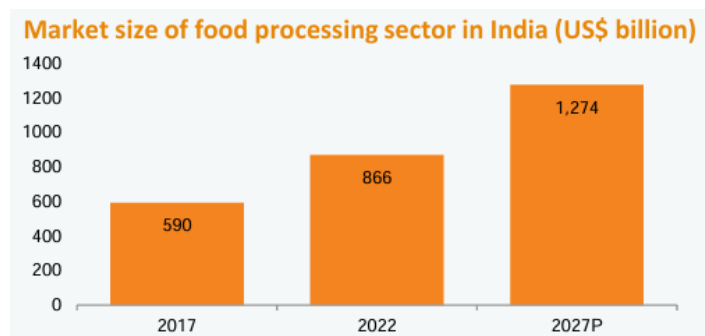
Particulars	Jeyyam Global Foods Limited			Sameera Agro and Infra Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.7%	2.1%	2.4%	2.6%	7.2%	5.9%
EBITDA Margin	5%	4%	5%	4%	10%	8%
RoCE	13%	15%	26%	31%	62%	15%
ROE	8%	12%	19%	31%	53%	12%
EPS (INR)	82.48	128.88	4.26	3.25	11.89	9.00
P/E	0.74	0.47	14.32	-	-	9.24

## Indian Food Processing Industry -

India is a major producer of food in the world, with a large and growing market. The food and grocery retail market, valued at US\$ 11.3 trillion in 2021, is also among the largest in the global economy.

The Indian food processing industry is expected to reach US\$ 535 billion by 2025-26 on the back of government initiatives such as planned infrastructure worth US\$ 1 trillion and Pradhan Mantri Kisan Sampada Yojna.

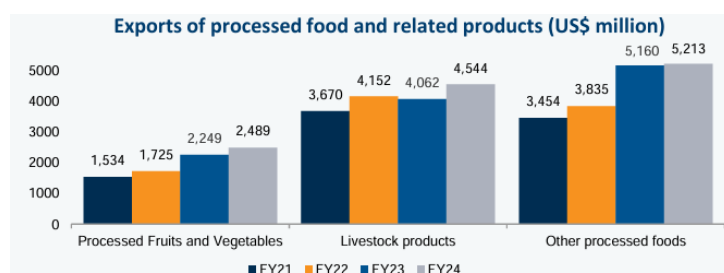
According to National Accounts Division, Ministry of Statistics and Programme Implementation, food processing units in India is growing at 7.68% annually.



(Source: [www.ibef.org](http://www.ibef.org))

## Exports -

India created history in agriculture and processed food exports by exporting products worth US\$ 25.6 billion in FY22. Export of APEDA products stood at US\$ 7.4 billion as of April-June 2022, up 31% compared with US\$ 5.7 billion over the same period last fiscal, according to the Directorate General of Commercial Intelligence and Statistics. Furthermore, exports of processed fruits and vegetables grew by 59.1%; cereals and miscellaneous processed items grew by 37.66%; meat, dairy and poultry products grew by 9.5%; basmati rice grew by 25.5%; non-basmati rice grew by 5%; and miscellaneous products grew by 50%.



(Source: [www.ibef.org](http://www.ibef.org))

## Government Initiatives -

- A centrally sponsored scheme, Pradhan Mantri Kisan SAMPADA ((Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters) Yojana, has been given a financial outlay of US\$ 731.4 million (Rs. 6,000 crore) for the period 2016 to 20.
- Under the Aatma Nirbhar Bharat Abhiyaan, the centrally sponsored scheme, the Pradhan Mantri Formalisation of Micro food processing Enterprises (PMFME) Scheme was launched on June 29, 2020. This scheme is currently being implemented in 35 states and union territories with the goal of improving the existing micro-enterprises in the unorganized segment of the food processing industry and the formalisation of the sector.
- The Production Linked Incentive Scheme for Food Processing Industry (PLISFPI), a central sector scheme has been allocated a financial outlay of US\$ 1.32 billion (Rs. 10,900 crore) for the period of 2021-22 to 2026-27.

## Opportunities in Food Processing Industry -

- The food processing sector in India grew at an average annual growth rate of approximately 8.4% between 2014 and 2018.
- The food processing sector constitutes around 10.7% and 8.8% of the gross value added in the agriculture and manufacturing sector, respectively.
- India ranks first in the production of milk, spices and livestock, and second in the production of food, vegetables, fruits and fish.
- The output of the Indian food industry is forecast to reach US\$ 535 billion by FY26.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Amit Agarwal</b>
<b>Age</b>	48
<b>Designation and No. of years of experience</b>	Promoter and Managing Director, 20+ years of experience in industry of manufacturing of “Cans” of storage and packaging of paints, 10+ years of experience in real estate, 5+ years of experience in hospitality industry
<b>Qualification</b>	Bachelor of Engineering in Polymers
<b>Other Directorships</b>	AMT Luxury Homes Private Limited, Nykos Hospitality Private Limited, Cantech Pack Private Limited and Proto Cancare Private Limited

<b>Key Management Persons Name -</b>	<b>Shripal Veeramchand Sanghvi</b>
<b>Age</b>	50
<b>Designation and No. of years of experience</b>	Promoter and Whole-Time Director, 30+ years of experience in tobacco industry and 15+ years of experience in FMCG product segment
<b>Qualification</b>	Completed senior secondary education
<b>Other Ventures</b>	Proprietor of S S Marketing and Shanti Guru Tobacco

<b>Key Management Persons Name -</b>	<b>Sujathaa Mehta</b>
<b>Age</b>	50
<b>Designation and No. of years of experience</b>	Promoter and Woman Non-Executive Director, 10+ years of experience in apparel industry and plastic manufacturing industry, 5+ years of experience chemical products manufacturing and sustainable energy
<b>Qualification</b>	Bachelor of Arts in Economics
<b>Other Directorships</b>	Swashtik Preforms Private Limited, Swashtik Plascon Limited, Cerise Solar Private Limited and Mehta and Mehta Green Power Private Limited

<b>Key Management Persons Name -</b>	<b>Vikash Mahipal</b>
<b>Age</b>	52
<b>Designation and Experience</b>	Non-Executive Independent Director, Experience in taxation and accounting
<b>Qualification</b>	B. Com degree
<b>Other Directorships</b>	-

<b>Key Management Persons Name -</b>	<b>Shanmugam</b>
<b>Age</b>	52
<b>Designation and No. of years of experience</b>	Non-Executive Independent Director, 10+ years of experience in stock market as individual trader and 1 year of experience in FMCG sector.
<b>Qualification</b>	Training and Common Examination in the Field of “Radio Servicing & Television Maintenance”
<b>Other Directorships</b>	Jetmall Spices and Masala Limited



## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	25,388.30	38,217.00	62,981.00
Other Income	-	3.62	2.42
<b>Total Income</b>	<b>25,388.30</b>	<b>38,220.62</b>	<b>62,983.42</b>
<b>Expenses</b>			
Cost of Materials Consumed	22,112.62	34,690.89	55,586.29
Changes in Inventories of finished goods, work-in-progress	112.99	-515.43	1,269.79
Employee Benefit Expenses	835.25	909.47	1,069.65
Finance Cost	352.90	407.37	824.17
Depreciation and Amortisation	217.98	249.92	468.98
Other expenses	1,175.25	1,431.11	1,762.97
<b>Total Expenses</b>	<b>24,806.99</b>	<b>37,173.33</b>	<b>60,981.85</b>
<b>EBITDA</b>	<b>1,152.19</b>	<b>1,700.96</b>	<b>3,292.30</b>
<b>EBITDA Margin</b>	<b>4.54%</b>	<b>4.45%</b>	<b>5.23%</b>
<b>Profit/(Loss) before tax</b>	<b>581.31</b>	<b>1,047.29</b>	<b>2,001.57</b>
<b>Tax Expense</b>			
Current tax	146.27	237.67	396.13
Deferred Tax	-1.76	22.82	96.33
<b>Total Tax</b>	<b>144.51</b>	<b>260.49</b>	<b>492.46</b>
<b>Profit/(Loss) for the year</b>	<b>436.80</b>	<b>786.80</b>	<b>1,509.11</b>
<b>Net Profit Margin</b>	<b>1.72%</b>	<b>2.06%</b>	<b>2.40%</b>

## Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
<b>EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
Share Capital	61.05	61.05	1,770.40
Reserves and surplus	5,665.46	6,452.26	6,252.02
<b>Total Equity</b>	<b>5,726.51</b>	<b>6,513.31</b>	<b>8,022.42</b>
<b>3. Non-current liabilities</b>			
Long-term borrowings	1,150.49	2,903.26	2,496.94
Deferred Tax Liabilities (Net)	116.79	139.61	235.94
Long-term provisions	48.39	38.91	48.77
<b>Total Non-current liabilities</b>	<b>1,315.67</b>	<b>3,081.78</b>	<b>2,781.65</b>
<b>4. Current liabilities</b>			
Short-term borrowings	2,168.80	6,322.79	7,123.56
Trade Payables			
(i) Total outstanding dues of MSME	57.31	52.47	54.85
(ii) Total outstanding dues of creditors other than MSME	442.78	431.22	679.23
Other Current Liabilities	57.79	117.19	123.02
Short-term provisions	172.31	316.26	441.66
<b>Total Current liabilities</b>	<b>2,898.99</b>	<b>7,239.93</b>	<b>8,422.32</b>
<b>Total Liabilities</b>	<b>4,214.66</b>	<b>10,321.71</b>	<b>11,203.97</b>
<b>Total Equity and Liabilities</b>	<b>9,941.17</b>	<b>16,835.02</b>	<b>19,226.39</b>
<b>ASSETS</b>			
<b>1. Non-current assets</b>			
Property, Plant & Equipment	2,513.03	3,583.76	6,406.23
Capital Work-In-Progress	-	1,356.94	42.16
Intangible Assets under development	122.94	470.82	-
Non-Current Investments	-	4.50	22.50

Particulars	FY 22	FY 23	FY 24
Long term loans and advances	3,737.96	2,457.82	52.54
<b>Total Non-Current assets</b>	<b>6,373.93</b>	<b>7,873.84</b>	<b>6,523.43</b>
<b>2. Current assets</b>			
Inventories	2,336.77	3,671.40	6,308.67
Trade Receivables	606.27	2,602.86	3,858.26
Cash & Cash equivalents	12.80	655.89	28.79
Short term loans and advances	380.29	1,719.50	2,233.55
Other Current Assets	231.11	311.52	273.68
<b>Total Current assets</b>	<b>3,567.24</b>	<b>8,961.17</b>	<b>12,702.95</b>
<b>Total Assets</b>	<b>9,941.17</b>	<b>16,835.01</b>	<b>19,226.38</b>

### Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	823.06	-3,106.46	-1,078.81
Net Cash Flow from Investing Activities	-568.00	-1,749.84	881.44
Net Cash Flow from Financing Activities	-259.12	5,499.38	-429.72

### Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	82.48	128.88	4.26	EV/EBITDA	7.84	8.87	5.35
BV per share	16.17	18.40	22.66	Market Cap / Sales	1.14	0.76	0.46
<b><u>Operating Ratios</u></b>				P/E	0.74	0.47	14.32
EBITDA Margins	4.54%	4.45%	5.23%	Price to Book Value	3.77	3.32	2.69
PAT Margins	1.72%	2.06%	2.40%	<b><u>Solvency Ratios</u></b>			
Inventory days	33.60	35.06	36.56	Debt / Equity	0.58	1.42	1.20
Debtor days	8.72	24.86	22.36	Current Ratio	1.23	1.24	1.51
Creditor days	8.58	5.12	4.55	Quick Ratio	0.42	0.73	0.76
<b><u>Return Ratios</u></b>				Asset Turnover	2.55	2.27	3.28
RoCE	13.27%	15.12%	26.13%	Interest Coverage Ratio	2.65	3.56	3.43
RoE	7.63%	12.08%	18.81%				

**LEAD MANAGER TRACK RECORD -**

The lead manager to the issue is Corpwis Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Corpwis Advisors Private Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Aluwind Architectural Limited	29.70	45.00	April 09, 2024	63.70

The company has handled 1 mandate in the past three years (including the current year).

\*CMP for the above-mentioned companies is taken as of 30<sup>th</sup> Aug 2024.

As per the offer document, the above-mentioned mandate has opened at a premium on the listing day.



## Recommendation -

Jeyyam Global Foods Limited has been in the industry since 2008 and has good experience in the industry. The management overview of the company is decent.

The P/E on a post-IPO basis is around 19.20 times which makes it slightly highly priced compared to its peer's (Sameera Agro and Infra Limited) of 9.24 times.

The company had negative cash flow operations for FY 2024 and 2023. If this continues in the future then it will adversely affect the results of operations, liquidity and financial condition of the company.

The company's business is highly concentrated in Tamil Nadu, and it derives majority of its revenue from chana and related products.

Although, the company has seen increase in the top line, bottom line and profitability margins over the years due to increase in the demand and consumption of chana due to shift in the customer preference for more nutrient dense foods, which might not be sustainable. Also, the margin of increase of net profit is very minimal. Furthermore, their cash conversion cycle has been high compared to its peer.

The Indian Food Processing and FMCG market is highly competitive and fragmented with many big and established players.

Thus, investors can **AVOID** this IPO.

## Disclaimer

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