

June 22, 2010

CARE ASSIGNS 'CARE BB-' AND 'PR4' RATINGS TO THE BANK FACILITIES OF ARSH DAIRYMAX PVT. LTD.

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	23.75	'CARE BB-' (Double B Minus)	Assigned
Short-term Bank Facilities	1.00	'PR4' (PR Four)	Assigned
Total Facilities	24.75		

Rating Rationale

The ratings are constrained by Arsh Dairymax Pvt. Ltd.'s (ADPL) short track record of operations, small procurement base, weak financial risk profile characterized by stressed liquidity position, high overall gearing and low equity base. The ratings are further constrained by its weak competitive position as compared to other established players mainly dairy cooperatives. The ratings, however, factor in promoters' experience in dairy industry, though at a small scale, and its eligibility for various incentives from central and state government. The ability of the company to improve its operating performance including scale of operations and its procurement base along with improvement in its financial risk profile are key rating sensitivities.

Company Profile

Incorporated in 2008, ADPL was promoted by Shri Anil Kumar Goel, Shri Om Prakash Gupta, Shri Rajesh Bansal and Shri Anil Bansal to set up a milk processing plant of 5,00,000 litres per day at Sikar, Rajasthan. The rationale for setting up the unit was to take advantage of various incentives from central and state government, growing demand for dairy products and deficit milk processing capacity in the state of Rajasthan. ADPL's plant was commissioned in Aug.2009 at a cost of Rs.22.68 with term loan of Rs.12.46 crore and equity of Rs.10.22 crore.

ADPL is engaged in manufacturing of dairy products like ghee, butter, milk powder and processed milk. Milk is purchased from local private chilling centres and finished products are sold to institutional buyers and retail dairy parlors. The commencement of operations of ADPL (in Aug.2009) coincided with the peak season and hence it got job work from Rajasthan Cooperative Dairy Federation (RCDF) with the later having deficit processing capacity during peak season.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

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