
June 23, 2010

CARE ASSIGNS 'CARE BB+' AND 'PR4' RATINGS TO THE BANK FACILITIES OF BHARAT FOODS CO-OPERATIVE LTD.

CARE assigned '**CARE BB+**' (**Double B Plus**) rating to the long-term bank loans/facilities and '**PR4**' (**PR Four**) rating to the short-term bank loans/facilities of Bharat Foods Co-operative Ltd. (BFCL) for an aggregate amount of Rs.94.67 crore, including long-term loan of Rs.11.67 crore, sanctioned fund-based working capital limit of Rs.13 crore and non-fund based limit of Rs.70 crore.

Facilities with 'Double B' rating are considered to offer inadequate safety for timely servicing of debt obligations. Such facilities carry high credit risk. This rating is applicable for facilities having tenure of more than one year. Facilities with 'PR Four' rating would have inadequate capacity for timely payment of short-term debt obligations and carry very high credit risk. Such facilities are susceptible to default. This rating is applicable for facilities having tenure up to one year.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Facility	Amount (Rs. crore)	Rating
Long-term Bank Facilities	24.67	'CARE BB+'
Short-term Bank Facilities	70.00	'PR4'
Total	94.67	

Rating Rationale

The ratings are constrained by BFCL's subdued financial risk profile with a small net worth base, low profitability which is also vulnerable to the fluctuations in commodity prices and its stressed liquidity position. The ratings however take into account logistical advantage due to its proximity to Kandla port resulting into competitive advantage in a price-sensitive industry. The ability of the entity to protect its profitability on the back of highly volatile raw material prices and its ability to increase its scale of operations are key rating sensitivities.

Company Profile

BFCL is a cooperative society registered on Sept.11, 2003 under the Multi State Co-operative Societies Act, 2002. The entire shareholding of BFCL is with 203 members who consist primarily of professionals from Maharashtra, Madhya Pradesh and Gujarat. BFCL was constituted as a cooperative society in order to avail the sales tax exemption available for such units setup in Kutch district under the scheme of Government of Gujarat. BFCL started commercial production in Oct. 2005.

BFCL has installed capacity of 90,000 mtpa (metric tonnes per annum) for edible oil refining and 45,000 mtpa for vanaspati. BFCL primarily imports CPO (crude palm oil) for refining and production of vanaspati. Around 90% of the refined oil is sold in bulk form to various buyers, including the Defense Department, GoI, through tendering process. Remaining 10% of the refined oil and vanaspati is sold under the brand name 'Suman'.

On a total income of Rs.464 crore, BFCL earned a PAT of Rs.4.02 crore in FY09. Overall gearing stood at 1.34 times as on Mar.31, 2009. During the six months period ended Sept.30, 2009, BFCL registered total income of Rs.209 crore with PBT of Rs.3.36 crore

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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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