

July 16, 2010

**CARE ASSIGNS 'CARE BBB-' RATING TO THE BANK FACILITIES OF CREAMY FOODS LTD**

**Rating**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	38.00	'CARE BBB-' (Triple B Minus)	Assigned
<b>Total Facilities</b>	<b>38.00</b>		

**Rating Rationale**

The rating takes into account growth in the total income of CFL over the years, negligible long-term debt, the promoters' long-standing experience in the dairy business, well-accepted brand with established presence in the northern and eastern markets and established marketing & distribution network. The rating is, however, constrained by low net worth base, seasonal requirement of funds resulting in high working capital limit utilization and high overall gearing levels as at the year end; vulnerability of operations to milk availability and the company's ability to procure the same and competition from the established players in the organized sector. Going forward, improvement in profitability margins, prudent working capital and cash-flow management, ability to withstand challenges in supply of milk (including effects of fall in milk yield and supply chain issues) affecting the business operations and government regulatory norms affecting the sector would remain the key rating sensitivities.

**Company Profile**

CFL was promoted by Mr. Mool Chand Aggarwal, Mr. Subhash Chand Aggarwal and Mr. Chander Prakash Aggarwal in January 1996. CFL is primarily engaged in the manufacturing and marketing of pure ghee, skimmed milk powder (SMP), SMP-added sugar, white melted butter and processed liquid milk at its plant in Bulandshahar, UP. During FY09, CFL's total income stood at around Rs.151 cr and PAT at around Rs.0.88 cr. During FY10 (provisional), CFL achieved a total income of Rs.172 cr with PAT of Rs.1.89 cr.

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

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<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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