June 23, 2010

CARE REAFFIRMS RATINGS TO THE LONG-TERM & SHORT-TERM BANK FACILITIES OF EMAMI BIOTECH LTD.

Ratings

Facilities	Amount (Rs. cr.)	Ratings[1]	Remarks
Long-term bank facilities	225.8	'CARE BBB' (Triple B)	Reaffirmed
Short-term bank facilities	103.0	'PR 3' (PR Three)	Reaffirmed

Ratings Rationale

The aforesaid ratings draw strength from the experience of the promoters & group support, strategic plant location by way of proximity to market & port, use of internationally reputed and latest & proven technology, positive outlook of the edible oil industry as well as favourable demand scenario of the bio diesel industry and government initiatives to boost the renewable source of energy sector. The ratings are however, constrained by the initial stage of operation of the company, the products being in launching phase, volatility in prices of both raw materials & finished goods, increasing competition from the unorganised sector and sluggish growth in the global economy after the slowdown. Ability of the company to increase its revenue & profit steadily together with regular sourcing of raw materials (Jatropha) in the scarce market and Govt. initiatives for the development of the industry will be the key rating sensitivities.

Company Profile

Emami Biotech Ltd (EBL), incorporated in April, 2002, belongs to the Emami Group of Kolkata. The company initially decided to produce bio-diesel at Haldia, West Bengal, using palm oil, pending availability of Jatropha from its indigenous sources. Subsequently, with substantial increase in palm oil price, the company changed its plan and decided to produce both edible oil (soya oil & palm oil) and bio-diesel (by using residue of edible oil as feed stock).

EBL commenced the commercial production of edible oil from December, 2008. Hence, FY09 results comprised operation of edible oil plant for four months only.

The financial parameters for FY09 were, by and large, satisfactory considering the level of operation & months of operation in place. However, both the gearing ratios were bit on the higher side as on Mar.31, 2009, as the company had availed substantial amount of unsecured loans from promoters for meeting long-term working capital requirements.

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

During the nine months ended Dec.31, 2009 (9MFY10), EBL has reported PBT of about Rs.10.0 crore on a net sales of Rs.500.0 crore.

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