

September 21, 2010

**CARE ASSIGNS 'CARE BB+' RATING TO BANK FACILITIES OF
M&M CHOCOLATES****Rating assigned**

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	13.60	'CARE BB+' (Double B Plus)	Assigned
Total Facilities	13.60		

Rating Rationale

The rating is constrained by the small size of operations, high gearing ratio, fluctuating raw material prices, lack of operational track record and absence of firm agreement for sale. The rating is underpinned by the experience of the partners in the business, recently completed capacity expansion, backward integration through associate concern, plant location which reaps tax benefits and stable industry prospects. Ability of M&M to penetrate the market without impact on its profitability, pass on the impact of change in raw material prices and stabilization of operations are the key rating sensitivities.

Company Profile

M&M was originally started as a proprietary concern in 2009 by Mr. D. Durga Prasad (Present Managing Partner) and was converted into a partnership firm with Mr. D.Durga Prasad and Mrs. D. Krishna Kumari (wife of Mr.D.Durga Prasad) as its partners in November 2009. The firm is presently engaged in manufacturing of bulk chocolates and confectionary. The firm undertook capacity expansion in FY09. M&M has set up a 6,000 tonnes per annum (TPA) chocolate/confectionery manufacturing plant in Baddi, HP. The said location also entails the firm to tax benefits provided by the state of HP.

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

The commercial production from enhanced capacity commenced in February 20, 2010 and FY11 will be the first full year of operations. In FY10, only a small unit with an annual capacity of 900 Tones was operational for nine months. On a total income of Rs.1.46 cr, the firm reported a net loss of Rs.0.35 cr in FY10 (Prov.).

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