

July 8, 2010

**CARE ASSIGNS 'CARE BBB-' RATING TO THE BANK FACILITIES OF MILK SPECIALITIES LIMITED****Rating**

<b>Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	48.28	<b>'CARE BBB-' (Triple B Minus)</b>	Assigned
<b>Total Facilities</b>	<b>48.28</b>		

**Rating Rationale**

The rating takes into account MSL's well-accepted brand Milktime in the market of Chandigarh, the promoter's long-standing experience in the dairy industry and established track record with a wide product range and robust distribution network. The rating is, however, constrained by declining operating income over the last couple of years (FY09 and FY10); seasonal requirement of credit resulting in relatively high working capital limit utilization levels at the end of the financial year; vulnerability of operations to milk procurement ability and intense competition from established players in the organized sector.

Going forward, prudent working capital and cash-flow management and MSL's ability to withstand challenges in the supply of milk (including effects of fall in milk yield and supply chain issues) affecting business operations would remain the key rating sensitivities.

**Company Profile**

MSL, a Chandigarh-based milk processing company, was set up as a Joint Venture between PSIDC, a state-level Industrial Development Corporation and Mr. Jagjeet Singh & family in the year 1991. The company is engaged in the manufacturing of various milk products under the brand name Milktime. MSL's product range includes

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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.



Press Release

skimmed milk powder (SMP), whole milk powder, dairy whitener (WMP), butter, pure ghee, pasteurized milk, flavoured milk curd, lassi etc. The company has an installed capacity to process 3.50 Lacs Ltrs of raw milk per day at its Derabassi plant, in Punjab. During FY09 MSL recorded a PAT of Rs.0.51 crore on an operating income of Rs.65.2 crore.

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