

August 12, 2010

**CARE ASSIGNS 'PR3 (SO)' RATING TO THE BANK FACILITIES OF NM INDUSTRIES PVT. LTD.****Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Short-term Bank Facilities	15.00*	'PR3 (SO) [PR Three (Structured Obligation)]'	Assigned
<b>Total Facilities</b>	<b>15.00</b>		

\* backed by unconditional and irrevocable corporate guarantee of NCML EXIM Pvt. Ltd

**Rating Rationale**

The ratings for the above facilities are primarily based on the credit enhancement in the form of an unconditional and irrevocable corporate guarantee provided by NCML which has been rated CARE BBB/ PR3 for its long/short-term bank facilities. (Rated CARE BBB/ PR3 for its bank facilities).

NCML's ratings reflect the long and consistent track record of NCML and its established relationships with suppliers, retailers and oil refiners. The ratings also take into consideration NCML's risk management policy to protect itself from commodity-price fluctuation risks. However, the ratings are constrained by the moderate financial risk profile as indicated by low profitability margins due to the trading nature of operations and the low networth. The ratings are also constrained by customer concentration risk, inherent foreign-exchange fluctuations risks on account of high imports and high level of competition in the sector featuring the presence of small traders.

Going forward, NCML's ability to retain its key clients and suppliers, maintain profitability and manage debt levels would remain the key rating sensitivities.

**Company Profile**

NM, promoted by Mr. Rajnish Jain was incorporated in 2007 and is engaged in the trading of edible oils mainly palm oil, and Refined, Bleached, Deoderised (RBD) palm oil. The edible oils are mainly imported from Malaysia, Indonesia and are sold to retailers and to bulk consumers mainly in Western Uttar Pradesh (U.P.).

NM registered net sales of Rs.59 cr and PAT of Rs.0.65 cr in FY09. However the company increased its scale of trading activities in FY10 and as per the provisional figures, registered PAT of Rs.1.07 cr on the total operational income of Rs.97.18 cr.

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

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**About the Guarantor (NCML)**

Incorporated in 1966, as a proprietorship firm by Mr Mohan Lal Jain (Chairman), NCML was converted into a private limited company in 1996. The company is engaged in the trading of palm oil (refined and crude), soya bean oil, mustard oil, vanaspati oil and confectionary items. NCML has registered a PAT of Rs.11 cr on the total operational income of Rs.716 cr as per the provisional financials of FY10.

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*CARE has 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*

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