

July 16, 2010

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

Rating

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

Rating Rationale

The rating takes into account growth in the total income over the years, negligible long-term debt, 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 moderate scale of operations, 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

SMCFL was promoted by Mr. Mool Chand Aggarwal, Mr. Subhash Chand Aggarwal and Mr. Chander Prakash Aggarwal in November 1991. SMCFL is primarily engaged in the manufacturing and marketing of Pure Ghee, Skimmed Milk Powder (SMP), Whole Milk Powder (WMP), Infant Milk Food, White Butter & Processed Liquid Milk at its plant in Saharanpur, UP.

During FY09, SMCFL's total income stood at around Rs.73 cr and PAT at around Rs.0.85 cr. During FY10 (provisional), SMCFL achieved a total income of Rs.86 cr with PAT of Rs.1.67 cr.

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

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

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