



SMERA RATINGS LIMITED

Moreish Foods Limited (MFL)**Rating
Rationale****September 03, 2014**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA BB-/Stable (Assigned)
Term Loan	5.00	SMERA BB-/Stable (Assigned)
Proposed Term Loan	4.25	SMERA BB-/Stable (Assigned)
Proposed Cash Credit	0.75	SMERA BB-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-' (read as SMERA Double B minus)** to the abovementioned bank facilities of Moreish Foods Ltd. (MFL). The outlook is '**Stable**'. The rating is constrained by the company's moderate scale of operations in an intensely competitive segment of the bakery industry. The rating factors in risks associated with the debt-funded capex planned by the company. The rating is also constrained by the susceptibility of the company's profit margins to volatility in raw material prices. However, the rating draws comfort from the healthy returns generated on the capital employed by the company. The rating also draws comfort from the company's experienced management and widespread geographic presence.

MFL, established in 1989, is a Ranchi-based company engaged in manufacturing of various bakery products, including breads, cakes and cookies. MFL's moderate operating scale is reflected in total operating income of Rs.37.58 crore (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). MFL plans to undertake capex of Rs.6.21 crore for setting up a new manufacturing unit (with installed capacity of 50,000 pounds per day) in Domjur, Howrah. The aforementioned capex is likely to be funded through bank loan of Rs.3.75 crore and equity capital of Rs.2.46 crore. MFL's debt servicing ability is susceptible to the risk of low offtake arising post capacity addition. MFL faces intense competition from several players in the bakery industry. The company's profit margins are susceptible to volatility in prices of raw materials i.e. wheat flour and sugar.

MFL registered healthy return on capital employed (RoCE) of 18.27 per cent (provisional) in FY2013-14. The company benefits from its experienced management. Mr. Narendra Kumar, promoter of MFL, has around 25 years of experience in the bakery industry. MFL also benefits from its widespread geographic presence across Ranchi (Jharkhand), Asansol (West Bengal), Patna (Bihar), Bhuneshwar (Orissa) and Domjur (West Bengal).

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SMERA RATINGS LIMITED

Moreish Foods Limited (MFL)**Rating
Rationale****Outlook: Stable**

SMERA believes MFL will maintain its moderate business risk profile in the medium term on the back of established operations and long standing experience of the promoter in the business. The outlook may be revised to 'Positive' in case of higher than expected revenues and accruals. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the company's accruals or elongation in its working capital cycle.

About the company

MFL, established in 1989, is a Ranchi-based company promoted by Mr. Narendra Kumar. MFL is engaged in manufacturing of bakery products. The company has a total of four manufacturing units (with combined installed capacity of ~2,00,000 pounds per day) in Ranchi (Jharkhand), Asansol (West Bengal), Patna (Bihar) and Bhuneshwar (Orissa).

For FY2013-14 (as per provisional financial statements), MFL reported profit after tax (PAT) of Rs.1.59 crore on total operating income of Rs. 37.58 crore, as compared with PAT of Rs.1.07 crore on total operating income of Rs.29.99 crore for FY2012-13. The company's net worth stood at Rs.7.34 crore (provisional) as on March 31, 2014, as compared with Rs.5.75 crore a year earlier.

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