

May 19, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit (proposed)	3.00	SMERA B-/Stable (Assigned)
Term Loan (proposed)	26.00	SMERA B-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' (**read as SMERA single B minus**) to the Rs.29.00 crore proposed bank facilities of Marino Food Products Private Limited (MFPPL). The outlook is '**Stable**'. The rating is constrained by the company's exposure to project implementation risk. The rating notes that the company is susceptible to competitive pressures and operational risks inherent in the food and beverages industry. However, the rating draws comfort from the company's experienced management.

MFPPL plans to undertake the business of manufacturing confectioneries. The company is setting up a manufacturing unit in Medchal Mandal, Hyderabad. The total project cost is estimated at Rs.46.38 crore, which is likely to be funded through bank debt of Rs.29.00 crore (term loan of Rs.26.00 crore and working capital limit of Rs.3.00 crore) and promoters' funds of Rs.17.38 crore. MFPPL is exposed to project implementation risk as installation of the machinery is pending. Any delay in project completion will result in significant cost overruns. MFPPL faces intense competition from several players in the food and beverages industry. The company's profit margins will be susceptible to volatility in raw material prices.

MFPPL is poised to benefit from its experienced management. Mr. Om Prakash Chhawnika and Mr. Vaibhav Chhawnika, directors of MFPPL, have around two decades of experience in the food and beverages industry.

Outlook: Stable

SMERA believes MFPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving healthy profit margins. The outlook may be revised to 'Negative' in case of delays in project completion, or in case of deterioration in the company's financial risk profile.

About the company

MFPPL, incorporated in 2010, is a Hyderabad-based company owned by Mr. Om Prakash Chhawnika and Mr. Vaibhav Chhawnika. MFPPL plans to undertake manufacturing of confectioneries such as rusks, cookies, sponge cakes and cupcakes. The company is setting up a manufacturing unit in Medchal Mandal, Hyderabad.

MFPPL's net worth stood at Rs.0.20 crore as on March 31, 2014, as compared with Rs.0.19 crore a year earlier.

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