

January 03, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	1.00	SMERA D (Assigned)
Term Loan	8.75	SMERA D (Assigned)

SMERA has assigned a rating of '**SMERA D**' (read as **SMERA D**) to the Rs.9.75 crore long-term bank facilities (fund based) of Mhetre Foods Private Limited (MFPL). The rating is primarily constrained by the intense pressure on the company's debt repayment ability in consideration of the delays involved in the commissioning of its food processing unit. The rating of is further constrained by the company's high projected leverage. The rating also factors in the company's exposure to post-commissioning risks, which include intense competition and raw material price volatility.

About the company

MFPL, incorporated in 2010, is a Maharashtra-based company established to undertake the business of processing fruits and vegetables. MFPL is currently setting up a processing unit (spread over 1,45,000 sq. ft.) in Daund district, Pune (Maharashtra). The company is likely to commence commercial production in January 2014. MFPL plans to source most of its raw materials from promoter-owned farmlands in Maharashtra. The company also plans to source raw material from suppliers based in Gujarat, Tamil Nadu, Karnataka and Andhra Pradesh.

The total project cost is estimated at Rs.12.51 crore, which is proposed to be funded through term loan of Rs.8.75 crore, venture capital of Rs.0.75 crore from Small Farmers Agri-Business Consortium (SFAC) and equity contribution of Rs.3.01 crore. MFPL has been sanctioned term loan of Rs.8.75 crore. The repayment of the term loan is scheduled to commence from January 2014. The company has also been sanctioned working capital facility of Rs.1.00 crore. MFPL's leverage is projected at 4.94 times in the first year of operations.

MFPL is entitled to get a back-ended subsidy of 50 per cent on the capital cost (Rs. 4.80 crore) of the project from the Ministry of Food Processing Industries (MOFPI).

MFPL is likely to benefit from the clientele of its group company —Mhetre Packaging Private Limited (MPPL), which is engaged in manufacturing of corrugated boxes since 1994. MPPL caters to ITC Limited (ITC) and MFPL has identified ITC as one of its potential customers. MFPL also plans to supply frozen fruits and vegetables to Capricorn Foods Limited and malls located in the Pune region. The company is likely to execute agreements with its potential suppliers and customers before commencement of trial production. MFPL has appointed Mr. B.B. Shinde as a technical consultant and general manager. Mr. B.B. Shinde has around two decades of experience in the food processing industry. The company is likely to benefit from the healthy growth prospects of the fruit

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and vegetable processing industry. MFPL is also likely to benefit from its favourable location, which is in proximity to major raw material sourcing area and consumption centres.

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