

January 15, 2014

| Facilities | Amount (Rs. Crore) | Ratings |
|-------------------------|--------------------|-----------------------------------|
| Term Loan | 0.46 | SMERA B+/Stable (Assigned) |
| Cash Credit | 12.24 | SMERA B+/Stable (Assigned) |
| Bank Guarantee | 0.30 | SMERA A4 (Assigned) |
| Letter of Credit | 7.00 | SMERA A4 (Assigned) |

SMERA has assigned a long-term rating of '**SMERA B+** (**read as SMERA B plus**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the above-mentioned bank facilities of Calpro Foods Private Limited (CFPL). The outlook is '**Stable**'. The ratings are constrained by the company's small scale of operations, low net profit margin, high leverage, moderate interest coverage ratio and working capital-intensive operations. However, the ratings are supported by the company's experienced management and reputed clientele.

CFPL, incorporated in 1984, is a New Delhi-based company engaged in manufacturing and distribution of preservatives, emulsifiers, enzymes, pectin and stabilizers used in the food and beverages industry. CFPL has a small operating scale with operating income of Rs.22.01 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 0.59 per cent in FY2012-13. CFPL's leverage is high at 2.92 times as on March 31, 2013. The company's interest coverage ratio is moderate at 1.43 times in FY2012-13. CFPL's operations are working capital-intensive as reflected in gross current assets of 196 days (average of last three years), collection period of 62 days (in FY2012-13) and inventory holding period of 130 days in FY2012-13.

CFPL benefits from its experienced management. Mr. Arun Kumar Agrawal and Mr. Amit Agrawal, directors of CFPL, have around two decades of experience in the company's line of business. CFPL has a reputed clientele, which includes ITC Ltd., Amul, Dabur India Ltd. and Britannia Industries Ltd.

Outlook: Stable

SMERA believes CFPL's outlook will remain stable in the near term on account of the company's experienced management and established relationships with customers. The outlook may be revised to 'Negative' in case of decline in the company's revenues and profitability or in case of further deterioration in the company's financial risk profile. Conversely, the outlook may be revised to 'Positive' in case the company generates larger-than-expected cash flows while achieving the projected sales and profit margins.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the company

CFPL, incorporated in 1984, is a New Delhi-based company promoted by Mr. Aurn Kumar Agrawal and his family members. CFPL is engaged in manufacturing and distribution of preservatives, emulsifiers, enzymes, pectin and stabilizers used in the food and beverages industry. The company has a manufacturing unit in Sohna, Haryana.

For FY2012-13, CFPL reported profit after tax (PAT) of Rs.0.13 crore on operating income of Rs.22.01 crore, as compared with PAT of Rs.0.10 crore on operating income of Rs.13.66 crore for FY2011-12. The company's net worth stood at Rs.3.78 crore as on March 31, 2013, as compared with Rs.2.68 crore a year earlier.

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