

January 06, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	1.00	SMERA B-/ Stable (Assigned)
Cash Credit (SME Credit Plus)	0.20	SMERA B-/ Stable (Assigned)
Term Loans	7.00	SMERA B-/ Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (read as SMERA single B minus) to the Rs.8.20 crore bank facilities of Daily Fresh Fruits India Private Limited (DFFIPL). The outlook is '**Stable**'. The rating is constrained by the company's short track record and moderate scale of operations amidst intense competition prevalent in the packaged fruit juice manufacturing industry. The rating is further constrained by the company's exposure to raw material price volatility. However, the rating derives comfort from the company's moderate leverage and experienced management.

DFFIPL, incorporated in 2008, is a Salem-based company engaged in manufacturing of packaged fruit juices. DFFIPL commenced commercial production in FY2009-10 (refers to financial year, April 01 to March 31). The company has a moderate scale of operations with revenues of Rs.37.70 crore in FY2012-13. DFFIPL faces intense competition from large players in the fruit juice processing industry. The company thus has limited bargaining power with its customers. Moreover, DFFIPL adopts a competitive pricing strategy to gain market share. DFFIPL's profit margins are highly susceptible to input price volatility as raw material cost accounts for ~65 per cent of the company's total cost of production. DFFIPL reported net loss of Rs.0.22 crore in FY2012-13, as compared with net profit of Rs.0.19 crore in FY2011-12.

DFFIPL's leverage is moderate at 1.24 times as on March 31, 2013. DFFIPL's capital employed and net fixed assets stood at Rs.11.03 crore and Rs.11.20 crore, respectively as on March 31, 2013, which indicates unavailability of promoter's fund to support the company's working capital requirements. Hence, despite a comfortable working capital cycle of 2 days in FY2012-13, DFFIPL's average utilisation of working capital limit is ~86 per cent during January 2013 to October 2013.

DFFIPL benefits from its experienced management. Mr. T. John Peter, Director of DFFIPL, has over ten years of experience in distribution of consumer goods. Moreover, the company has an experienced second line of management.

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Outlook – Stable

SMERA believes the outlook on DFFIPL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company expands its scale of operations while registering better profit margins and maintaining a comfortable liquidity position and satisfactory capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

About the company

DFFIPL, incorporated in 2008, is a Salem-based company promoted by Ms. Jayabharathi, Mr. T. John Peter, Mr. R. Baskar and Ms. B. Manjula. DFFIPL is engaged in manufacturing of packaged fruit juices. The company has an installed capacity of 97 lakh Litres per annum.

For FY2012-13, DFFIPL reported net loss of Rs.0.22 crore on total income of Rs.37.70 crore, as compared with net profit of Rs.0.19 crore on total income of Rs.25.11 crore for FY2011-12. The company registered revenues of Rs.7.10 crore during April 2013 to October 2013. DFFIPL's net worth stood at Rs.5.30 crore as on March 31, 2013, as compared with Rs.3.70 crore a year earlier.

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