

**June 04, 2014**

Proposed Facility	Amount (Rs. Crore)	Rating
Term Loan	7.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (read as **SMERA single B minus**) to the abovementioned proposed bank facility of Kag Industry (KI). The outlook is '**Stable**'. The rating is mainly constrained by the project execution risk inherent in the firm's upcoming manufacturing unit. However, the rating is supported by the firm's experienced management.

KI is a Himachal Pradesh-based partnership firm established to undertake contract manufacturing of malted milk powder and malt-based and chocolate- based nutritional powder. KI is currently setting up a manufacturing unit with total installed capacity of 0.60 metric tonnes per annum (MTPA) in Johron, Himachal Pradesh. The firm is exposed to project execution risk as the financial closure of the project is pending and construction work is underway. KI is expected to start commercial production in September, 2014. The firm is likely to face intense competition from several players in the food processing industry.

Outlook: Stable

SMERA believes the outlook on KI's rated facility will remain stable over the medium term. The outlook may be revised to 'Negative' in case of delays in project execution and receipt of orders. The outlook may be revised to 'Positive' in case the firm generates healthy cash flows from operations post timely completion of the project.

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**About the firm**

KI, established in 2009, is a Himachal Pradesh-based partnership firm promoted by Mr. Anuj Agarwal and Mrs. Prabha Agarwal. KI is established to undertake contract manufacturing of malted milk powder and malt-based and chocolate-based nutritional powder. The firm is currently setting up a manufacturing unit with total installed capacity of 0.60 MTPA in Johron, Himachal Pradesh. The total project cost is estimated at Rs.14.50 crore, which is likely to be funded through bank loan of Rs.7.00 crore, partners' capital of Rs.3.25 crore, unsecured loan of Rs.3.50 crore and subsidy of Rs.0.75 crore. KI is eligible to get excise duty exemption for a period of 10 years from the date of commencement of commercial production.

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