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ICRA reaffirms the ratings for bank facilities of Haldiram Foods International Limited; assigns stable outlook

ICRA has reaffirmed the LA+ (pronounced L A plus) rating assigned to Rs. 27.62 crore fund based limits of Haldiram Foods International Limited (HFIL)[†]. The outlook on the long-term rating is stable. ICRA has also reaffirmed the A1+ (pronounced A one plus) rating assigned to the Rs. 1.38 crore Non-Fund Based Limits of HFIL[†].

The ratings continue to factor in the strengths arising out of HFIL's experienced promoters, its established presence in the sweets/namkeens business, strong brand equity and established distribution network across western and southern India. These factors have led to strong financial profile of the company marked by robust profitability, low gearing and healthy debt protection indicators. Further, the low working capital intensity of the company has led to positive cash flows from operations. The ratings however continue to be constrained by the exposure of the company to competition from branded packaged foods players as well as local sweets/namkeen manufacturers, its entry into new product segments in which the company is yet to establish its presence and financial support that may be extended to other group companies/investments. However, the financial profile is expected to remain comfortable, due to lower working capital intensity of the business and robust accretion to reserves.

Company Profile:

Haldiram Food International Ltd. (HFIL) is a part of Haldiram Nagpur Group of companies, promoted by Mr. Shiv Kishan Agarwal in 1969. The company is engaged in the manufacturing and sale of sweets/namkeens and extruded snack items. The company has a well-established distribution network across western and southern India. HFIL's manufacturing facilities are located in Nagpur. In addition to the packaged products, the company has its own outlets in Nagpur where it sells sweets and eatables. In 2009-10 (Provisional), the company recorded sales of 553.67 crore and posted a profit after tax (PAT) of Rs. 44.41 crore as compared to sales of Rs. 461.66 crore and PAT of Rs. 40.03 crore in 2008-09.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer ICRA's website www.icra.in or other ICRA Rating Publications.

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