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## ICRA assigns LBBB- rating to the enhanced bank facilities of Capricorn Food Products India Limited

ICRA has assigned LBBB- (pronounced L triple B minus) rating to Rs. 185 million term loans and Rs. 400 million fund based limits of Capricorn Food Products India Limited (CFPIL)<sup>†</sup>. The outlook on the rating is stable. ICRA has a rating outstanding of LBBB- (pronounced L triple B minus) on Rs. 163.1 million term loans and Rs. 727.2 million fund based limits of CFPIL<sup>†</sup>. ICRA also has rating outstanding of A3 (pronounced A three) on Rs. 50 million fund based limits and Rs 150 million non fund based limits of CFPIL.<sup>†</sup>

The assigned ratings factor in the established presence of CFPIL, reputed clientele leading to low order volatility, recurring source of revenues, and the efficient procurement network and distribution setup. The growing demand for mango pulp and other processed fruits and vegetables in India and for export markets provides comfort on the demand side. The company has been able to maintain healthy operating margins, reflecting pricing flexibility. The ratings also take into consideration the stretched capital structure position of CFPIL which is characterized by high gearing of 1.5x as of March 31, 2009 and it is expected to be at similar levels going forward on account of the debt funded capital expenditure plans of the company. CFPIL's operations are seasonal on account of raw material availability which leads to low capacity utilization for considerable portion of the year. The company's performance also remains susceptible to exchange rate fluctuations, freight rate movements and raw material availability which is dependent on agro climatic conditions. ICRA also notes that the fruits and vegetables processing industry is highly fragmented leading to significant competition. CFPIL's working capital intensity is high with Net Working Capital Intensity/Operating Income at 33% for year ended 31<sup>st</sup> March 2009. This increase was on account of higher inventory which had also led to strained liquidity position and the trend is expected to continue going forward.

### Company Profile

Capricorn Food Products India Limited (CFPIL) is a food processing company, promoted by M S Jain Group in the year 1998 with the main object of manufacture and export of Fruit Pulp and Processed Vegetables. The group is mainly engaged in the manufacture and trading of sodium silicate and other allied chemicals with the group turnover of more than Rs.1.5 billion. CFPIL is the only unit in the group engaged in an activity not related to chemicals. It has a factory at Sathyavedu, Chittoor District, Andhra Pradesh and another one in Pune, for extraction of Fruit Pulp and Vegetable Processing. Its revenues are accrued largely from sale of Mango pulp which contributes 80-85% of the total sales. Majority of its sales are direct sales to MNCs located in the export and domestic market.

For the first nine months of financial year 2009-10, the company has reported Profit Before Tax of Rs. 248.2 million on an operating income of Rs. 1.23 billion against a net profit of Rs. 90.2 million on an operating income of Rs. 1.24 billion for the financial year 2008-09.

*For further details please contact:*

#### Analyst Contacts:

**Mr. Subrata Ray**, (Tel. No. +91 22 30470027)  
subrata@icraindia.com

#### Relationship Contacts:

**Mr. Jayanta Chatterjee**, (Tel. No. +91-80-43326401/ 098 450 22459)  
jayantac@icraindia.com

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](http://www.icra.in)

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

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