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ICRA assigns LB/A4 ratings to the bank facilities of Accelerated Freeze Drying Company Limited

ICRA has assigned an LB (pronounced as L B) rating to the Rs. 60.0 million term loan facilities of Accelerated Freeze Drying Company Limited ("AFDC"/ "the Company")[†]. ICRA has also assigned an A4 (pronounced A four) rating to Rs.265.0 million fund-based facilities and Rs. 19.0 million non-fund based bank facilities of AFDC[†].

The ratings are constrained by current delays in debt servicing by the Company. The Company's current scale of operations remains small restricting economies of scale and financial flexibility. AFDC's financial profile remains weak characterized by low margins, weak coverage indicators (OPBITDA/Interest of 1.7 as on March 31, 2009) and high working capital intensity (Net working capital/OI of 108.8% as on March 31, 2009). A sharp fall in demand for larger grades of shrimp in major markets like Japan and US resulted in revenue de-growth for the Company during the past two years. AFDC's profitability remains vulnerable to exchange rate fluctuations as exports constitute ~90% of the company's sales. The ratings however take note of the significant experience of the promoters of nearly three decades in food processing industry. The ratings also take into consideration the presence of foreign collaborators Nissin Foods and Itochu Corporation, who consume ~60-70% of AFDC's output, as shareholders in the Company.

About the Company

Accelerated Freeze Drying Company Limited was incorporated in the year 1986 in Cochin, Kerala. The Company is promoted by Amalgam Foods Limited, Cochin (52% shareholding) in collaboration with Nissin Foods, Hong Kong (38% shareholding) and Itochu Corporation, Japan (10% shareholding). AFDC processes and exports freeze-dried seafood and spices. The Cochin plant with a capacity of 460 tons/annum processes seafood and partly pepper whereas the Bangalore plant with a capacity of 140 tons/annum processes herbs, spices and vegetables.

Recent performance

The Company reported a net profit after tax of Rs.2.5 million on operating income of Rs.431.2 million for the year ending March 31, 2009, against net profit after tax of Rs. 23.3 million on operating income of Rs.521.5 million for the year ending March 31, 2008.

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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 to ICRA's website www.icra.in or other ICRA Rating Publications.

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