

**Satnam Rice Mills**  
**April 26, 2021**

**Ratings**

Facilities / Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	15.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
<b>Total Facilities</b>	<b>15.00</b> <b>(Rs. Fifteen Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

CARE had, vide its press release dated February 17, 2020 placed the rating of Satnam Rice Mills under the 'issuer non-cooperating' category as SRM had failed to provide information for monitoring of the ratings. SRM continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated April 07, 2021, April 06, 2021 and April 05, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.***

**Detailed description of the key rating drivers**

The rating has been revised on account of fragmented and competitive nature of industry, and constitution of the entity being a proprietorship firm. However, the rating derives strength from experienced proprietor in the agro processing industry and close proximity to paddy growing region.

**Key Rating Weaknesses****Fragmented and competitive nature of industry**

The commodity nature of the product makes the industry highly fragmented, with numerous players operating in the unorganized sector with very less product differentiation. Furthermore, the concentration of rice millers around the paddy growing regions makes the business intensely competitive.

**Constitution of the entity being a proprietorship firm**

SRM's constitution as a proprietorship firm has the inherent risk of withdrawal of the proprietor's capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of proprietor. Moreover, proprietorship firms have restricted access to external borrowing as the credit worthiness of proprietor would be the key factors affecting credit decision for the lenders.

**Key Rating Strengths****Experienced proprietor in the agro processing industry**

Satnam Rice Mill (SRM) was established as a proprietorship firm in the year 2002 by Mr Sachin Mittal. He is a graduate and has an experience of around one and half decade in processing and milling of basmati and non-basmati rice through his association with SRM. He looks after overall operations of the firm.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

**Close proximity to paddy growing region**

Its presence in the region gives additional advantage over the competitors in terms of easy availability of the raw material as well as favorable pricing terms. SRM owing to its location is in a position to cut on the freight component of incoming raw materials.

**Analytical Approach:** Standalone

**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity analysis of Non-financial sector entities](#)

[CARE's methodology for manufacturing companies](#)

**About the company**

Kaithal-based (Haryana) SRM was established in 2002 as a proprietorship firm by Mr Sachin Mittal. The firm is engaged in milling, processing and trading of basmati and non-basmati rice with an installed capacity of 54000 metric ton per annum as on December 31, 2018. The firm procures paddy from local grain markets through commission agents and rice millers. The firm sells its product under the brand name 'Kaithal King' in Northern India mainly in Haryana and Delhi.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	65.97	66.27
PBILDT	2.27	2.30
PAT	0.17	0.19
Overall gearing (times)	4.31	4.34
Interest coverage (times)	1.18	1.21

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	15.00	CARE B-; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE B-; Stable; ISSUER NOT COOPERATING *	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING * (17-Feb-20)	1)CARE B+; Stable (01-Feb-19)

*Issuer did not cooperate; Based on best available information*

**Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable****Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**