OCTOBER 16, 2014

CARE ASSIGNS 'CARE BBB-/CARE A3' RATINGS TO THE BANK FACILITIES OF SATIA INDUSTRIES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	217.85	**CARE BBB- (Triple B Minus)**	Assigned
Short term bank Facilities	46	**CARE A3 (A Three)**	Assigned
Total Facilities	**263.85**		

Rating Rationale

The ratings derive strength from the long track record of operations of Satia Industries Limited (SIL), steady scale-up of revenue over the years, comfortable financial risk profile marked by healthy profitability margins and moderate overall gearing as on March 31, 2014, various cost reduction measures implemented by the company leading to steady improvement in the operating profit margins and proximity of the manufacturing plant to raw material sources. The ratings are, however, constrained by working capital intensive nature of operations, project implementation risks, vulnerability of profitability to volatility in raw material prices and fragmented nature of the industry resulting in intense competition.

Going forward, execution and stabilization risks pertaining to the planned investments in the new projects, managing the working capital requirement of the company and scaling up of operations while maintaining the profitability margins in a competitive market shall remain the key determinants of SIL's credit profile.

Background

Incorporated in the year 1980, Satia Industries Ltd (SIL) is engaged in the manufacturing of writing & printing paper (WPP) at its plant located at Muktsar, Punjab. The company was promoted by Dr Ajay Satia and started its operations in August1984, by the name Satia Paper Mills Ltd., with an installed capacity of 4950 MTPA. In the year 2008, the name of the company was changed to the present one. Over the years, SIL has undertaken several phases of expansion to reach the present level of installed capacity of 75,000 MTPA, as on March 31, 2014.The company is also engaged in the trading of cotton and yarn, with the segment contributing approximately1.6% to the total income in FY14 (refers to the period April 1 to March 31). On account of various technological up gradations implemented by the company, the capacity utilization levels have remained at more than 100% in the last three years.

In FY14 SIL reported a PAT of Rs.13.49 crore on the total income of Rs.383.43 crore as against a PAT of Rs.13.89 crore on a total operating income of Rs.278.45 crore in FY13. In Q1FY15, SIL achieved net sales and PAT of Rs.94.6 crore and Rs.6.86 crore, respectively, in comparison to net sales and PAT of Rs.81.56 crore and Rs.8.17 crore, respectively, in Q1FY14.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Analyst Contact
Name: Sajan Goyal
Tel: 0172-5171102
Mobile: 9988805650
Email: sajan.goyal@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra
Managing Director
Mobile: +91-98204 16002
E-mail: dr.dogra@carerating.com

Mr. Rajesh Mokashi
Dy. Managing Director
Mobile: +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi
Vice President - Bank Loan & Instrument Rating
Mobile: +91-9819009839
E-mail: meenal.sikchi@carerating.com

Mr. Ankur Sachdeva
Vice President - Bank Loan & Financial Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:
503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Rahul Jain
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 93149 21496
Tel: +91-141-402 0213 / 14
E-mail: rahul.jain@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

CIN - L67190MH1993PLC071691