

April 06, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF SATNAM RICE MILL

Rating

Bank Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	15	CARE B+ (Single B Plus)	Reaffirmed
Total Facilities	15		

Rating Rationale

The rating assigned to the bank facilities of Satnam Rice Mill (SRM) continues to remain constrained by its modest scale of operations, low profitability margins, leveraged capital structure and weak coverage indicators. The rating is further constrained by working capital-intensive nature of operations, partnership nature of constitution and its presence in a highly competitive and fragmented agro-processing business with a high level of government control.

The rating, however, draws strength from the experienced proprietor in the agro-processing industry, its growing scale of operations and proximity of its processing unit to the paddy-growing areas.

Going forward, SRM's ability to scale-up its operations while improving its profitability margins and capital structure along with effective working capital management would be the key rating sensitivities.

Background

Kaithal-based SRM was established as a proprietorship firm by Mr Sachin Mittal in 2002. The firm is engaged in milling, processing and trading of basmati and non-basmati rice with an installed capacity of 35,000 metric tonnes per annum (MTPA). The processing facility is located in Kaithal, Haryana. The firm procures paddy from the local grain markets through commission agents. SRM has a storage capacity of 1,500 tonnes of paddy. The firm operates in two shifts of 12 hours each. SRM sells its product under the brand name 'Five Star' mainly in Haryana and Delhi through commission agents.

SRM has reported a net profit of Rs.0.28 crore on a total operating income of Rs.89.16 crore during FY14 (refers to the period April 1 to March 31) as compared with a net profit and TOI of Rs.0.28 and Rs.83.89 crore in FY13. During FY15, the firm had achieved total sales of Rs.82.00 crore till February 28, 2015.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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