

09 April, 2014

**CARE ASSIGNS 'CARE B+' RATING TO THE BANK FACILITY OF  
SATNAM RICE MILL**

**Rating**

Bank Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Long-term Bank Facilities	15	CARE B+ (Single B Plus)	Assigned
<b>Total</b>	<b>15</b>		

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

**Rating Rationale**

The rating assigned to the bank facilities of Satnam Rice Mill (SRM) are primarily constrained by its weak financial risk profile characterized by its modest scale of operations, thin profitability margins, leveraged capital structure, weak debt protection metrics and working capital intensive nature of its operations. The rating is also constrained by the presence in a highly competitive and fragmented agro-processing industry with a high level of government control, susceptibility of its margins to fluctuation in the raw material prices and proprietorship nature of its constitution.

The rating, however, favourably take into account the experience of the proprietor in the agro processing industry and proximity of its processing unit to the paddy-growing areas.

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

**Background**

Kaithal based Satnam Rice Mill (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.83.89 crore during FY13 (refers to the period April 1 to March 31). The firm had achieved total sales of Rs.90 crore till February 28, 2014.

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

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