

SEPTEMBER 09, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF SATNAM RICE MILLS

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	15	CARE B+ (Single B Plus)	Rating suspension revoked and reaffirmed
Total Facilities	15 (Rupees Fifteen crore only)		

Rating Rationale

The rating assigned to the bank facilities of Satnam Rice Mills (SRM) continue to remain constrained by 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, proprietorship nature of constitution and its presence in a highly competitive and fragmented agro processing business.

The rating, however, continue to draw comfort from the experienced proprietor in the agro processing industry and proximity of its processing unit to the paddy growing areas.

Going forward, the ability of SRM to scale its operations while improving its profitability margins and capital structure along with efficient working capital management shall be the key rating sensitivities.

Background

Kaithal-based, 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 150 metric ton per day (MTPD). 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.

In FY15 (refers to the period April 1 to March 31), SRM achieved a total operating income (TOI) of Rs.85.53 crore with PAT of Rs.0.21 crore. Furthermore, in FY16, the firm achieved total operating income of Rs.76 crore (as per the provisional results).

Analyst Contact

Name: Mr Achin Nirwani

Tel: +91-11-45-333-228

Email: achin.nirwani@careratings.com

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

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CONTACT**Head Office Mumbai****Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@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

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. Deepak Prajapati**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@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

COIMBATORE**Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 - 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@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. Pratim Banerjee**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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