



SMERA RATINGS LIMITED

Santlal Industries Limited (SIL)

Rating
Rationale**June 17, 2014**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	60.00*	SMERA B/ Stable (Assigned)
Pledge Limit	15.00	SMERA B/ Stable (Assigned)

**Interchangeable to the extent of Rs.8.00 crore with packing credit and Rs.8.50 crore with foreign outward bills purchased (FOBP)*

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA single B**) to the Rs.75.00 crore bank facilities of Santlal Industries Limited (SIL). The outlook is '**Stable**'. The rating is constrained by the company's moderate leverage (debt-to-equity ratio) and low profit margins. The rating is further constrained by the company's exposure to agro-climatic risk and intense competition prevalent in the rice milling industry. However, the rating is supported by the company's experienced management, reputed clientele and location-specific advantage.

SIL, established in 1999, is an Uttar Pradesh-based company engaged in processing and trading of basmati rice. SIL has moderate leverage (debt-to-equity ratio) of 2.28 times as on March 31, 2013. The company's net profit margin is low at 0.28 per cent in FY2012-13 (refers to financial year, April 01 to March 31). SIL is exposed to agro-climatic risk, which may adversely affect availability of paddy. The company faces intense competition from several players in the basmati rice industry.

SIL benefits from the experienced management. Mr. Anand Agarwal, director of SIL, has around 40 years of experience in the agriculture industry. SIL also benefits from its long-standing relations with various reputed customers, including KRBL Limited, Best Foods Ltd., and Radical Overseas. SIL's processing unit is in proximity to raw material sourcing areas in Uttar Pradesh, a major rice growing state in India.

Outlook: Stable

SMERA believes the outlook on SIL's rated facilities will remain stable over the medium term on the back of the company's experienced management and location-specific advantage. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and profitability while achieving comfortable leverage levels and sound working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in the company's working capital cycle, or in case of deterioration in the company's capital structure.

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About the company

SIL, incorporated in 1999, is an Uttar Pradesh-based company promoted by Mr. Anand Agarwal, Mr. Anil Agarwal and Mr. Sunil Agarwal. SIL is engaged in processing and trading of basmati rice.

The company has a processing unit in Mainpuri (Uttar Pradesh), with total installed capacity of ~24 metric tonnes (MT) per hour.

For FY2012–13, SIL reported net profit of Rs.0.49 crore on operating income of Rs.176.82 crore, as compared with net loss of Rs.0.16 crore on operating income of Rs.109.74 crore for FY2011–12. The company's net worth stood at Rs.14.34 crore as on March 31, 2013, as compared with Rs.11.09 crore a year earlier.

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