

Rating Rationale

Brickwork Ratings reaffirms ‘BWR B’ Ratings for bank Loan facilities aggregating to ₹ 14.00 Crores enhanced from ₹ 12.00 Crores of Satia Cotton Factory.

Brickwork Ratings (BWR) has reaffirmed the following **Ratings¹** for the Bank Loan Facilities of ₹ 14.00 Crores of Satia Cotton Factory (The ‘Firm’).

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Rating	Rating History
<u>Fund Based</u>					
Cash Credit	12.00	14.00	Long Term	Reaffirmed at BWR B <i>(Pronounced BWR B)</i> (Outlook Stable)	BWR B <i>(Pronounced BWR B)</i> (Outlook Stable) June, 2013
Total	12.00	14.00	INR Fourteen Crores Only		

BWR has principally relied upon the audited financial results up to FY14 of Satia Cotton Factory, publicly available information and information/clarification provided by the management of the Firm.

The rating has factored, inter alia, the promoter’s experience and growth in revenues. However the rating is constrained by weak financial profile over the last three years with low profitability margins, stretched liquidity position, high leveraged position and customer concentration of the Firm.

Background

Satia Cotton Factory a partnership firm was established by grandparents of Mr. Rajan Satia and Mr. Sagar Satia in early 1960. The Firm worked well upto 1998. Thereafter due to shortage of raw material in Muktsar and in surrounding areas, the promoters stopped operations. Mr. Rajan Satia and Mr. Sagar Satia restarted the Firm in 2005. It is mainly into Cotton ginning with the help of Saw Ginning Machines separating the cotton & cotton seed, baling and selling the bales to yarn manufacturers. The Firm has 8 Saw Ginning machines, 16 Roller machines, one Baling Press and one Weigh Bridge.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance

The revenue from operations shows an increasing trend from ₹ 67.72 Crores in FY13 to ₹ 79.40 Crores in FY14. It has been reporting Operating losses and the positive net profit margin has been because of the interest income earned by the Firm. The Firm is highly leveraged with debt equity ratio at 4.70 times for FY14. Stretched liquidity position of the Firm is reflected by the current ratio of 1.32 times for FY14. The firm's tangible net worth stands at ₹ 3.50 Crores as on 31st March'14.

Rating Outlook

The rating reflects the position of the firm in the cotton manufacturing industry. Going forward, ability of the firm to achieve higher turnover, to improve the capital structure by infusing funds and margins will be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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