

July 8, 2010

CARE ASSIGNS 'CARE BB+' AND 'PR4' RATINGS TO THE BANK FACILITIES OF UTSAV RICE MILL PVT. LTD.

RatingsFacilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	2.0	'CARE BB+' (Double B plus)	Assigned
Short-term Bank Facilities	58.0	'PR4' (PR Four)	Assigned
Total Facilities	60.0		

Rating Rationale

The ratings factor in trading nature of operations resulting in low operating margin, low networth leading to high overall gearing, risks related to volatility in prices of trading materials, working capital intensive nature of business, high interest cost impairing profitability, corporate guarantee to loss making group company, imposition of ban on export of non-basmati rice, dependence of prices on speculative activities and sensitivity to vagaries of nature. The ratings also take into account considerable experience of the promoters and insurance coverage for major portion of export receivables.

Company Profile

URMPL, incorporated in June 1998, is promoted by Shri Sambhunath Agarwal of Kolkata. The company is engaged in processing and sale of non-basmati rice at its facility located at Kalna, West Bengal. The unit has a capacity to process 14,400 MT of rice per annum. The company is also engaged in trading of non-basmati rice and agricultural commodities like onions, sugar, chili, turmeric, etc. It sells its products to wholesalers in the domestic market and also exports to Bangladesh, Vietnam and China.

¹“Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications”.

URMPL earned PBILDT of Rs.3.7 crore and PAT of Rs.0.2 crore on net sales of Rs.129.1 crore in FY09. Profit margins of the company have generally been low in view of trading operations. Overall gearing ratio has also been high due to working capital intensive nature of operation.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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