

## Satnam Psyllium Industries

Instrument	Amount	Rating Action
Cash Credit	Rs.3.00 crore	[ICRA]BB-(stable) Assigned
Stand by Limit	Rs.2.00 crore	[ICRA]BB-(stable) Assigned
Export Packing Credit	Rs.10.00 crore	[ICRA]A4 Assigned

The rating of [ICRA]BB- (pronounced as ICRA double B minus) has been assigned to the Rs. 5.00 crore<sup>1</sup> fund based long term facilities and the rating of [ICRA]A4 (pronounced as ICRA A four) has also been assigned to the Rs. 10.00 crore fund based short term facility of Satnam Psyllium Industries (SPI)<sup>2</sup>. The outlook on the long term rating is 'Stable'.

The assigned ratings are constrained by SPI's commoditised nature of products and weak financial profile characterised by low profitability owing to increasing raw material prices and moderate coverage indicators. The ratings are further constrained by the vulnerability of the firm's profitability to fluctuations in the psyllium seed prices which are exposed to agro-climatic risks and partial/complete withdrawal of various export incentives extended by the Government of India. ICRA also factors in the risk associated with regulatory restrictions and socio-economic condition in the overseas markets since the firm primarily exports majority of its products and the potential adverse impact on net worth and gearing levels in case of any substantial withdrawal from capital accounts given the constitution as a partnership firm.

The ratings, however, take comfort from the established track record of the firm and extensive experience of its promoters in the agro commodities business for over more than three decades. The ratings are also supported by the presence of a strong customer profile comprising reputed players in healthcare industry as well as the firm's locational advantage by virtue of proximity to the raw material sources.

In ICRA's view the ability of the firm to manage the impact of raw material price fluctuations on its profitability in a highly competitive business environment and improve its capital structure by managing working capital requirements will remain the key rating sensitivities.

### Entity Profile

Satnam Psyllium Industries (SPI) was established in 2001 under the Satnam Group by Mr. Prahalad Patel and his family. The firm is engaged in manufacturing psyllium husk from psyllium seeds at its manufacturing facility at the Unjha-Sidhpur region of Gujarat, with an installed processing capacity of ~30 MT of per day. The promoters have an extensive experience in the agro commodities business spanning over three decades and are also associated with other entities, Super Psyllium and Eastmade Spices & Herbs Private Limited.

### Recent Results

During FY2016, SPIL reported an operating income of Rs. 111.02 crore and profit after tax of Rs. 1.77 crore as against an operating income of Rs. 88.66 crore and profit after tax of Rs. 0.31 crore in FY2015.

**August 2016**

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



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