

March 10, 2014

**CARE ASSIGNS 'CARE B+' RATING TO THE BANK FACILITIES OF
CHEEKA RICE MILL**

Ratings

Bank Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	6.56	CARE B+ (Single B +)	Assigned
Total	6.56		

The rating assigned by CARE is based on the capital deployed by the partner and the financial strength of the firm at present. The rating may undergo change in case of the withdrawal of capital or the unsecured loans brought in by the partner in addition to the financial performance and other relevant factors.

Rating Rationale

The rating assigned to the bank facilities of Cheeka Rice Mill (CRM) is primarily constrained by the small scale of operations, weak financial risk profile characterized by low profitability margins, leveraged capital structure and weak debt service coverage indicators. The rating is further constrained by CRM's working capital intensive nature of operations and susceptibility of its margin to fluctuation in raw material prices and the fragmented nature of the industry.

The rating, however, draws comfort from its experienced promoters and long track record of operation and favorable manufacturing location.

Going forward, the ability of the firm to increase its scale of operation while improving its profitability margin and capital structure and efficient management of working capital requirements shall be the key rating sensitivities.

Background

Cheeka Rice Mill (CRM) was established in 1972 as a partnership firm. The current management comprises its present partners, Mr Sat Pal and Ms Darshana Devi with equal profit sharing. The firm is engaged in the trading and processing of rice. The manufacturing unit is located at Cheeka, Haryana, with an installed capacity of processing of rice of 36,500 metric tonnes per annum (MTPA) as on March 31, 2013. CRM procures paddy from local grain markets through commission agents in bulk, mainly from the states of Haryana and Punjab. The firm sells its products in the states of Haryana and Punjab through a network of commission agents.

The firm reported a total operating income of Rs.20.92 crore with a PAT of Rs.0.01 crore for FY13 (refers to the period April 1 to March 31). During 9MFY14, the firm achieved a TOI of Rs.18 crore.

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