

OCTOBER 20, 2015

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF CHEEKA RICE MILL

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	8 (enhanced from Rs.6 crore)	CARE B+ (Single B Plus)	Suspension revoked and reaffirmed
Total Facilities	8 (Rupees Eight crore only)		

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 susceptibility of margins to fluctuation in raw material prices, fragmented nature of the industry and constitution of the entity being a partnership concern.

The rating, however, draws comfort from its experienced partners, long track record of operation, favorable manufacturing location and moderate operating cycle.

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

Background

CRM was established in 1972 as a partnership firm. The current management comprises its present partners, viz, Mr Sat Pal and Ms Darshana Devi with equal profit and loss 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, 2015. CRM procures paddy from local grain markets located in Haryana and Punjab through commission agents in bulk. The firm sells its products in Haryana and Punjab through a network of commission agents.

For FY15 (refers to the period April 01 to March 31), CRM achieved a total operating income (TOI) of Rs.29.65 crore with PBILD and PAT of Rs.0.85 crore and Rs.0.03 crore, respectively, as against TOI of Rs.23.71 crore with PBILD and PAT of Rs.0.77 crore and Rs.0.01 crore, respectively, for FY14. The firm has achieved total sales of Rs.5.13 crore for 5MFY16 (refers to the period April 01 to August 31).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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