Rating Rationale

Chaudhary Rice Mills

5Mar2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 7.33 Crores of Chaudhary Rice Mills.(CRM or "the Firm")

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec, 2017)	Present
Fund based Cash Credit Term Loan ODIP	**4.50** **1.16** **2.50**	**7.00** **0.33** **Nil**	**Long Term**	**BWR B** (Pronounced as BWR Single B) **Outlook: Stable**	**BWR B** (Pronounced as BWR Single B) **Outlook: Stable** **Reaffirmed**
Total	**8.16**	**7.33**	**INR Seven Crores Thirty Three Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Note : The sanction of WC limit is expired as on 29.12.2018. Bank has to confirm the status of renewal . The bank facilities outstanding balance shown above is an on 10.2.2019

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results of FY18, the projected financial data for FY19 and FY20 and publicly available information and the information/clarifications provided by the firm.

The rating factors in the established presence of the firm, management experience, increase in revenue, and moderate conversion cycle. However, the rating is constrained by low tangible net worth, high gearing, reduced profits, weak interest coverage ratio, low current ratio and inherent risk.

Going forward, the ability of the Firm to enhance its scale operations with increased revenues, profit and profitability margins, to infuse own funds and manage working capital efficiently would be the key rating sensitivity.

Description of Key Rating Drivers

- **Credit Strengths:**

The Firm has been operating since 1981 hence has an established presence in its market. The partner Mr. , Anil Chaudhary, has an experience of 26 years in the rice industry. The revenue has increased from ₹ 33.96 Crs in FY17 to ₹ 52.41 Crs in FY18 i.e. an increase of 54.33% . The conversion cycle has also reduced from 147 days to 105 days, reflecting an increase in the efficiency in the business cycle.

- **Credit Risks:**

The tangible net worth of the firm is at ₹ 1.66 Crs as on 31st March, 2018, due to which the gearing of the firm comes to 9.98 times in FY18. The operating profit has reduced from 6.43 % in FY17 to 4.45 % in FY18 and the net profit margin has reduced from 0.34% in FY17 to 0.24% in FY18. Reduced profits have resulted in weak interest coverage and debt coverage of 1.29 times and 0.78 times respectively in FY18. The firm also reflects a tight liquidity position with current ratio at 1.11 times in FY18 and working capital utilization at an average of 97%. between Aug 2018 and Feb 2019. Inherent risk of the firm being partnership in nature

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Chaudhary Rice Mills** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

Chaudhary Rice Mills (‘CRM’ of ‘the firm’) established in 1981, as a Partnership firm. The firm’s office and rice processing unit are located at Tohana, Haryana.CRM is engaged in the milling of paddy to process basmati rice with by-products like husk, rice bran, broken rice and others. CRM’s rice processing unit has an installed capacity of processing 4 tonnes rice per hour with current utilization of around 85%.CRM procure paddy directly from farmers and through commission agents, locally and other states namely Uttar Pradesh, Punjab and Harayana. The firm sells basmati rice to wholesalers from Maharashtra, Delhi, Uttar Pradesh, West Bengal, Andhra Pradesh, etc. under unregistered brand names ‘Chacha Chaudhary’ and ‘297’.

Firm’s Financial Performance

The firm reported a total operating income of ₹ 52.41 Crs in FY18 and ₹ 33.96 Crs in FY17. Net profit was 0.24% in FY18 & 0.34% in FY17. Tangible Net Worth stood at ₹ 1.66 Crs as on 31st March 2018, while as on 31.3.2017 net worth was ₹ 1.46 Crs.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	28.12.2017	17.3.2017
1.	**Fund Based**	Long Term	7.33	**BWR B** (Pronounced as BWR Single B) **Outlook: Stable Reaffirmed**	**Not Rated**	**BWR B** (Pronounced as BWR Single B) **Outlook: Stable**	**Rating not Reviewed**
	Total		**7.33**	**₹ Seven Crores Thirty Three Lakhs Only**			

Initial rating of BWR B with stable outlook was assigned as on 14th October, 2014 and the rating was reviewed as BWR B+ with stable outlook as on 22nd December, 2015

Status of non-cooperation with previous CRA- Not to our knowledge

Any other information- Nil

Key Financial Indicators

Key Parameters	**Units**	**2018**	**2017**
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Crs	52.41	33.96
EBITDA	₹ Crs	2.33	2.18
PAT	₹ Crs	0.13	0.12
Tangible Net worth	₹ Crs	1.66	1.46
Total Debt/Tangible Net worth	Times	9.98	10.11
Current Ratio	Times	1.11	1.56

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector
- Short Term Debt

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Venkatesh *Senior Director-Ratings* analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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