

## Ruchi Infrastructure Limited

September 19, 2022

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	27.74 (Reduced from 41.67)	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
<b>Total Bank Facilities</b>	<b>27.74</b> <b>(₹ Twenty-Seven Crore and Seventy-Four Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

#### Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Ruchi Infrastructure Limited (RIFL) continues to remain constrained by modest scale of operations, stretched liquidity with sizable debt repayment obligations and exposure of RIFL to group entities by way of investment and advances along with guaranteed obligations.

The aforesaid constraints are partially offset by established operations of RIFL in liquid storage terminals and agri ware housing business.

CARE continues to take cognizance of monetization of idle/non-core assets of infrastructure division which has resulted in pre-payment of debt in past and is expected to aid the company's cash flows going forward amidst high debt repayment obligations.

#### Rating sensitivities

##### Positive factors – Factors that could lead to positive rating action/upgrade:

- Significant increase in scale of operations in the infrastructure division along with improved profitability
- Improved debt coverage indicators along with timely realizations of envisaged asset sale considerations

##### Negative factors – Factors that could lead to negative rating action/downgrade:

- Any major debt funded capex plans
- Significant incremental investment or advances to group entities
- Any crystallization of disputed Sales tax/VAT demand under Contingent liabilities

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Modest scale of operations with profit margins

RIFL operates on a modest scale with Total Operating Income (TOI) of Rs.42.64 crore (including guarantee commission of Rs.1.01 crore) during FY22. PBILDT Margin stood moderate at 33.61% in FY22 compared to 36.61% in FY21. PAT margin however stood high at 90.66% in FY22, on account of non-cash adjustments of Rs.49.34 crore (i.e. Trade payables write back of Rs.78.33 crore and export incentive write off of Rs.28.99 crore of prior periods). Consequently, company registered moderate gross cash accruals (GCA) of Rs.11.31 crore in FY22 (Rs.12.08 crore in FY21).

During Q1FY23, RIFL reported income of Rs.10.70 crore as compared to Rs.10.73 crore in Q1FY22 with GCA of Rs.3.68 crore, as against Rs.5.10 crore in Q1FY22. PBILDT margin remained at 45% in Q1FY23 (68% in Q1FY22).

#### Exposure to subsidiaries & Associates

RIFL's exposure towards its subsidiaries & associates has reduced since FY18 through liquidation / diminution in value of investments; however same remains sizeable at around 31% of its Net worth as at FY22 end.

The company has exposures in form of investments & advances to its subsidiaries which stood at Rs.50.52 crore as on March 31, 2022. Majority of this investment and advances is in wind power generation and real estate development, which exposes the company to risks inherent to these businesses. Any incremental investment or advances to the group entities would be a key credit monitorable. Company has also extended a corporate guarantee towards term loans of Rs.72 crore availed by RuchiRenewable Energy Pvt Ltd (RREPL) with outstanding of Rs.40.50 crore as on March 31, 2022. For FY23, RREPL has sufficient cash and bank balance as on balance sheet date for its term debt repayment obligations.

#### Key Rating Strengths

##### Established operations of storage terminals and agri-warehouses

RIFL operates in infrastructure segment (liquid and dry storage facilities and renewable power generation). RIFL operates 56 storage terminals at six locations in India with an aggregate capacity of around 1.56 lakh metric tonne (MT) per month and 44 dry storage warehouses with a capacity of 2.34 lakh MT per month. In addition to these storage tanks and warehouses, RIFL also holds a jetty for bulk cargo near Jamnagar in Gujarat for export of agri commodities. RIFL is undertaking expansion of its storage terminal at Haldia and warehouses at Ujjain & Ratlam, majority of capex amount has been incurred and balance to completed in FY23 funded largely out of sales proceeds of idle land / surplus cash flows.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

Earlier, part income in this business segment was derived from erstwhile Ruchi Group entities however company has diversified its customer base with sales of RIFL to group companies came down to just 5% of the infrastructure business segment during FY22 from 20% in FY19. Also, the company has discontinued its high risk and volatile agro commodity trading business and is now focused on its established infrastructure business.

### Moderate leverage

The capital structure of the company is moderate with an overall gearing of 0.57 times in FY22 (P.Y:0.86 times) and TOL/TNW of 0.69 times in FY22 (P.Y:1.64 times). Adjusted overall gearing including corporate guarantee extended by RIFL to the term loan of Ruchi Renewable Energy Pvt Ltd (RREPL) stood at 1.17 times in FY22 (P.Y:1.98 times).

Company also has had disputed demand of Rs.219.39 crore for Sales tax/vat as on March 31, 2022. Any crystallization of the same is a key credit monitorable.

Debt coverage indicators marked by PBILDT Interest coverage and Total debt to GCA also remained moderate at 3.23 times and 7.94 times respectively as on March 31, 2022.

### Liquidity: Stretched

Company's liquidity is stretched owing to its moderate cash accruals against high debt repayment obligations and moderate liquidity ratios. However, over the past years company had liquidated some of its non-core assets of its infrastructure business segment and has also sold entire lying inventory of its commodity segment which has now been discontinued. This along with liquidation of stake in group entities, receipt of an income tax refund and proceeds of sale of land parcel enabled the company to prepay its part long-term debt and also expand its existing profitable storage terminals and warehouses.

In medium term, it has large scheduled annual debt repayment of around Rs.15-16 crore which will be served through a mix of internal accruals and liquidation of its non-core assets. Timeliness of sales and prudent end use of such funds shall remain crucial from credit perspective. Cash flow from operations stood at Rs.12.94 crore in FY22 (against Rs.13.39 crore in FY21). Company also has a free cash balance of Rs.5.94 crore at FY22 end which provides some cushion to liquidity. Current ratio improved to 1.32x in FY22 from 0.74x in FY21, the improvement is on account of reduction in current liabilities due to write back of trade payables.

### Analytical approach: Standalone

#### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

[Policy on Withdrawal of Ratings](#)

#### About the company

Incorporated in 1984, Ruchi Infrastructure Limited (RIFL; CIN: L65990MH1984PLC033878) has business interests spread across various sectors including liquid and dry storage warehousing for agri-products, windpower and real estate. RIFL is engaged in warehousing business through its dry warehouses and liquid storage terminals at various locations throughout the country and dry storage warehouses in the state of Madhya Pradesh. Besides, it also sells power from its wind-mills (capacity - 10.80 MW).

RIFL has three subsidiaries namely Ruchi Renewables Energy Private Ltd (100%) engaged into wind energy generation, Peninsular Tankers Pvt Ltd (100%) engaged in trading business, Manglore Liquid Impex Pvt Ltd (98%) engaged in storage business and one Associate company namely Narang & Ruchi Developers engaged in real estate business.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (P)
Total operating income*	39.80	42.64	10.70
PBILDT	14.57	14.33	5.27
PAT	1.05	38.66	1.13
Overall gearing (times)	0.86	0.57	NA
Interest coverage (times)	2.54	3.23	NA

A: Audited; P: Provisional; NA: Not Available

\*Including guarantee commission of Rs.1.01 crore in FY21 & FY22

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	June 30, 2024	27.74	CARE BB-; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	27.74	CARE BB-; Stable	-	1)CARE BB-; Stable (27-Sep-21)	1)CARE BB-; Stable (06-Oct-20)	1)CARE BB-; Stable (25-Sep-19) 2)CARE BB-; Stable (01-Apr-19)
2	Fund-based - LT-Term Loan	-	-	-	-	1)CARE BB-; Stable (27-Sep-21)	1)CARE BB-; Stable (06-Oct-20)	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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