Ruchi Infrastructure Limited

September 12, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	11.14 (Reduced from 27.74)	CARE BB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

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 and exposure of RIFL to subsidiaries and associates by way of investment along-with sizeable contingent liabilities on the books of the company.

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

The rating also factors in infusion of additional equity during FY23 which would largely be utilised for expansion of the company's storage infrastructure. The rating continues to take cognisance of monetisation of idle/non-core assets of infrastructure division which has resulted in pre-payment of debt in the recent past and is expected to aid the company's cash flows, going forward.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

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

Negative factors

- Any major debt-funded capex plans.
- Significant incremental investment or advances to subsidiaries and associates
- Any crystallisation of disputed Sales tax/VAT demand considered in contingent liabilities.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the company will continue to benefit from the vast industry experience of the promoters and sustain its financial risk profile in the near to medium term.

Detailed description of the key rating drivers:

Key weaknesses

Modest scale of operations with moderate profit margins

RIFL operates on a modest scale with total operating income (TOI) of ₹42.42 crore during FY23. The PBILDT margin stood moderate at 31.48% in FY23 compared with 33.61% in FY22. However, gross cash accruals (GCA) continued to remain limited at ₹11.84 crore in FY23 (₹11.31 crore in FY22) due to limited scale. During Q1FY24, RIFL reported total operating income (TOI) of ₹11.48 crore (excluding ₹3.97 crore from sale of land of Cuttack) as compared with ₹11.74 crore in Q1FY23.

Exposure to subsidiaries and associates

RIFL's exposure towards its subsidiaries and associates has reduced since FY18 through liquidation / diminution in value of investments; however, the same remains sizeable at around 25% of its net worth as at FY23-end. RIFL has also extended a corporate guarantee to the term loan of ₹72 crore availed by its wholly-owned subsidiary, Ruchi Renewable Energy Pvt Ltd (RREPL), with outstanding of ₹34.50 crore as on March 31, 2023. The equity investments of the company in group entities remained stable at around ₹43 crore as on June 30, 2023. However, it received back loans and advances of ₹12.81 crore from its subsidiary, Ruchi Renewable Energy Private Limited, in FY23, which aided its debt repayments during the year. Any incremental investment or advances of RIFL to subsidiaries and associates would be a key credit monitorable.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Sizable contingent liabilities
The company has sizeable contingent liabilities on its books including disputed sales tax demand.
The company has disputed demand of ₹219.39 crore for Sales tax/VAT as on March 31, 2023. Any crystallisation of the same shall adversely impact the company's cashflows and thus shall be a key credit monitorable. Also, the company has a redemption obligation for preference share capital including around ₹54.61 crore against the principal, and over ₹30 crore against arrears of dividend. Though the redemption of the same has been extended to FY26 in agreement to the preference shareholders, the amount of liability remains sizeable, against the company's limited cash profits. CARE Ratings expects the company's term debt to be fully repaid by Q1FY25, which is expected to provide some support to the liquidity profile of the company.

Key strengths

Established operations of storage terminals and warehouses
RIFL operates in the infrastructure segment (liquid and dry storage facilities and renewable power generation), with 59 storage terminals at six locations in India having an aggregate capacity of around 1.64 lakh metric tonne (MT) per month and 44 dry storage warehouses with a capacity of 2.41 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.
The utilisation of terminals remained at 75% in FY23, while that of warehouse remained at 67%. The customer profile of RIFL includes reputed customers, viz., Asian Paints Limited, Apollo Tyres Ltd, and Pidilite Industries Limited among others.

Moderate leverage along-with additional equity infusion during FY23
The capital structure of the company is moderate with an overall gearing of 0.43x in FY23 (P.Y: 0.57x) and TOL/TNW of 0.69x in FY22 (P.Y: 1.64x). The company issued warrants of ₹31.71 crore in FY23 out of which ₹15.91 crore has been received in FY23 and ₹15.80 crore shall be received in FY24. Large part of the same shall be utilised for expansion of storage infrastructure. Adjusted overall gearing including corporate guarantee extended by RIFL to the term loan of Ruchi Renewable Energy Pvt Ltd (RREPL) stood at 1.15x in FY23 (P.Y: 1.11x).
The debt coverage indicators marked by PBILDT interest coverage and total debt to GCA also remained moderate at 3.90x and 6.36x, respectively, as on March 31, 2022.

Liquidity: Stretched

The liquidity of the company is stretched owing to its limited cash profit and high debt repayment obligations during FY24. Repayment obligations for FY23 were met out of its cash flow from operations and receipt of loans and advances extended to subsidiary. It has scheduled annual debt repayment of around ₹16 crore for FY24, which is expected to be met out of its internal accruals along with monetisation of idle / non-core assets (with one asset already sold in Q1FY24). The term debt is scheduled to be fully repaid by Q1FY25. RIFL has also planned capex related to liquid terminal storage and warehouses in three locations, totalling to around ₹26 crore, which it plans to fund largely from additional equity and idle asset monetisation. CARE Ratings expects the company to monetise assets aggregating to around ₹26 crore during FY24.
Th cash flow from operations stood at ₹11.67 crore in FY23. The company had a free cash balance of around ₹18.8 crore at FY23-end, largely built up through the equity proceeds of around ₹16 crore received in FY23. Balance proceeds of around ₹15.80 crore are expected to be received in FY24.

Environmental, social and governance (ESG) risks: Not applicable

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 and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Logistics Solution Provider

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, wind power, and real estate. RIFL is engaged in the 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 windmills (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, and Mangalore Liquid Impex Pvt Ltd (98%) engaged in storage business . It also has one associate company, namely, Narang & Ruchi Developers, engaged in the real estate business.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (Prov.)
Total operating income	42.64	42.42	11.48
PBILDT	14.33	13.35	3.48
PAT	38.66	1.00	3.23
Overall gearing (times)	0.57	0.43	NA
Interest coverage (times)	3.23	3.90	14.61

A: Audited; Prov: Provisional; Note: 'the above results are latest financial results available', NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term loan		-	-	June 30, 2024	11.14	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 2023-2024	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
1	Fund-based - LT-Term loan	LT	11.14	CARE BB-; Stable	-	1)CARE BB-; Stable (19-Sep-22)	1)CARE BB-; Stable (27-Sep-21)	1)CARE BB-; Stable (06-Oct-20)
2	Fund-based - LT-Term loan	-	-	-	-	-	1)CARE BB-; Stable (27-Sep-21)	1)CARE BB-; Stable (06-Oct-20)

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

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the 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.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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