Ruchi Infrastructure Limited

September 27, 2021

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	43.63 (Reduced from 53.71)	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	**43.63 (Rs. Forty-Three Crore and Sixty-Three Lakhs Only)**		

Details of facilities in Annexure-1

Detailed Rationale & 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 sizeable debt repayment obligations and exposure of RIFL to group entities by way of investment and advances; however, with reduction in the same over last few years.

The aforesaid constraints are partially offset by established operations of RIFL in liquid storage terminals and agri ware housing business alongwith improvement in operating profitability in FY21 (refers to the period April 1 to March 31).
CARE continues to take cognizance of monetization of idle/non-core assets of infrastructure division which has resulted in pre-payment of debt in recent past and is expected to aid the company's cash flows going forward amidst high debt repayment obligations.

Rating Sensitivities

Positive Factors

- 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

- Any major debt funded capex plans
- Significant incremental investment or advances to group entities

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations with improvement in operating profitability albeit moderate net profit margin

RIFL operates on a moderate scale of Rs.42.76 crore. During FY21, RIFL TOI declined from Rs.62.16 cr. in FY20 to Rs.42.76 cr in FY21, largely due to discontinuation of agri-commodity trading business. PBILDT Margin however improved to 41% in FY21 from 29% in FY20, due to discontinuation of trading losses. PAT margin however remained low at 2.45% in FY21, though improved from 0.34% in FY20 with increase in PBILDT and reduction in interest cost with scheduled repayments. Consequently, company registered moderate gross cash accruals (GCA) of Rs.12.08 crore in FY21, largely in line with FY20. During Q1FY22, RIFL reported income of Rs.10.73 crore as compared to Rs.10.28 crore in Q1FY21 with GCA of Rs.5.10 crore, as against Rs.4.99 crore in Q1FY21. PBILDT margin remained at 68% in Q1FY22 (62% in Q1FY21).

Exposure to group entities

RIFL's exposure towards its group entities has reduced since FY18 through liquidation / diminution in value of investments; however same remains sizeable at around 33% of its Net worth as at FY21 end.
The company has also made advances to its subsidiaries which stood at Rs.18.61 crore as on March 31, 2021. 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. Company has also extended a corporate guarantee of around Rs.72 crore towards the aforesaid wind power generation business. Any incremental investment or advances to the group entities would be a key credit monitorable.

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.
Earlier, part income in this business segment was derived from erstwhile Ruchi Group entities however company has diversified its customer base with only 2% of income derived from group entities in FY21. 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
Overall gearing of company improved to 0.86 in FY21 from 0.92 in FY20 with scheduled debt repayments. PBILDT Interest coverage also improved from 2.33x in FY20 to 3.06x in FY21 and remained moderate. However, in the medium term, company has scheduled redemption of part of its preference share capital. Timeliness and mode of redemption of the same shall remain crucial from credit perspective.

Liquidity: Stretched
Company's liquidity is stretched owing to its subdued business operations and high debt repayment obligations. However, since FY18, it has commenced liquidation of 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, alongwith 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. Till FY20, RIFL prepaid term loans of over Rs.40 crore.
In medium term, it has large scheduled annual debt repayment of around Rs.12-16 crore, alongwith a capex of around Rs.3 crore in FY22 for storage capacity enhancement. These obligations are expected to be met through a mix of internal accruals and liquidation of non-core assets, including land parcels and idle storage terminals. Timeliness of sales and prudent end use of such funds shall remain crucial from credit perspective. This apart, company also has some receivables and payables of its erstwhile trading business, recovery / repayment of which shall also remain a key rating monitorable.
Company had availed the moratorium for payment of its debt obligations for six months as announced by the Reserve Bank of India to support its liquidity.

Analytical Approach: Standalone

Applicable Criteria:
Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology : Service Sector Companies
Liquidity Analysis of Non-Financial Sector Entities
Financial ratios- Non-financial Sector

About the company
Incorporated in 1984, Ruchi Infrastructure Limited (RIFL) is a part of the Ruchi Group of Indore, which has business interests spread across various sectors including agri-commodity trading, liquid and dry storage warehousing for agri-products 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).

Brief Financials of RIFL	FY20 (A)	FY21 (A)
Total operating income	62.16	42.76
PBILDT	18.08	17.53
PAT	0.21	1.05
Overall gearing (times)	0.92	0.86
PBILDT Interest coverage (times)	2.33	3.06

A: Audited
During Q1FY22(UA), as per the published results, RIFL reported a net profit of Rs.2.47 crore on total operating income (TOI) of Rs.10.73 crore as against net profit of Rs. 2.24 crore on a TOI of Rs.10.28 crore during Q1FY21 (UA).
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 for this company: Annexure-4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	June 30, 2024	41.67	CARE BB-; Stable
Fund-based - LT-Term Loan	-	-	June 30, 2024	1.96	CARE BB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	41.67	CARE BB-; Stable	-	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	LT	1.96	CARE BB-; Stable	-	1)CARE BB-; Stable (06-Oct-20)	-	-

Annexure 3: Detail explanation of covenants of the rated instrument/facilities- Not Applicable

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

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

Annexure 5: Bank Lender Details
Click here to view Bank Lender Details

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact
Mr. Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact
Ms. Nikita Goyal
Contact no: +91-79-4026 5670
Email ID: nikita.goyal@careratings.com

Relationship Contact
Mr. Deepak Prajapati
Contact no.: +91-79-4026 5656
Email ID: deepak.prajapati@careratings.com

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