

January 05, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF RUCHI SOYA INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term Bank Facilities	3,794.71 (reduced from Rs.4,126.43 crore)	CARE BBB+ (Triple B Plus)	Reaffirmed
Long Term / Short Term Bank Facilities	6,931.40	CARE BBB+/CARE A2 (Triple B Plus/A Two)	Reaffirmed
Total Bank Facilities	10,726.11 (Rupees Ten Thousand Seven Hundred Twenty Six Crore and Eleven Lakh Only)		

Rating Rationale

The ratings for the bank facilities of Ruchi Soya Industries Limited (RSIL) continue to factor in its leadership position in the domestic edible oil market, established operations with a good mix of inland and port-based manufacturing facilities, experienced management, established marketing and distribution network, increase in branded sales and favourable demand scenario in the domestic market for edible oil along with backward integration initiative of establishing palm plantations.

The ratings, however, continue to remain constrained due to RSIL's high overall gearing, inherent low profitability due to intensely competitive agri-commodity industry along with its susceptibility to volatility in commodity prices, foreign exchange rates and changes in duty structure for edible oil imports and working capital nature of operations.

The ability of RSIL to improve its profitability and reduce its debt level would be the key rating sensitivities.

Background

Incorporated in January 1986, Ruchi Soya Industries Ltd. (RSIL) is engaged in crushing of oil seeds and extraction/refining of edible oil along with manufacturing of related products like vanaspati, textured proteins, and lecithin. It is also engaged in import/export as well as domestic trading of various agri-commodities. It is the flagship entity of the Indore, Madhya Pradesh based Ruchi Group, which has business interests spread across various sectors including edible oil, agri-commodity trading, liquid and dry storage warehousing for agri-products and real estate. RSIL has manufacturing presence at 20 locations across the country.

Based on the audited financials, on a standalone level, RSIL registered a total operating income of Rs.28,402 crore with a PAT of Rs.61 crore in FY15 compared with a total operating income of Rs.24,594 crore with a PAT of Rs.13 crore in FY14. Further, as per provisional results for H1FY16, RSIL reported a PBT of Rs.45 crore and a PAT of Rs.9 crore (after deferred tax of Rs.26 crore) on a total operating income of Rs.11,539 crore, compared with a PBT of Rs.18 crore and a PAT of Rs.5 crore (after deferred tax of Rs.7 crore) on a total operating income of Rs.12,810 crore during H1FY15.

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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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