JANUARY 13, 2015

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	4,126.43	**CARE BBB+ [Triple B Plus]**	Reaffirmed
Long Term / Short Term Bank Facilities	6,931.40 (enhanced from Rs.6,478.00 Cr)	**CARE BBB+ / CARE A2 [Triple B Plus / A Two]**	Reaffirmed
Total Facilities	**11,057.83**		

Rating Rationale

The ratings of 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 and favourable demand scenario in the domestic market for edible oil along with backward integration initiative of establishing palm plantations.

The ratings also take into account the conclusion of the purchase of the edible oil business of Ruchi Infrastructure Ltd., effective from September 1, 2014 and the sale of entire equity held in Gemini Edibles and Fats India Pvt. Ltd. to its JV partner in December 2014.

The ratings, however, continue to remain constrained due to its high overall gearing, inherent low profitability due to intensely competitive agri-commodity industry along with its susceptibility to volatility in commodity prices and foreign exchange rates. The ratings also continue to be constrained by frequent changes in duty structure for edible oil exports/imports and working capital intensive 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, etc. 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, real estate, etc. RSIL has manufacturing presence at 22 locations across the country. In December 2014, RSIL sold its equity stake in Gemini Edibles and Fats India Pvt. Ltd. (GEFL).

Based on the audited financials, RSIL registered a total operating income of Rs.24,594 crore with a PAT of Rs.13 crore in FY14 compared with a total operating income of Rs.26,493 crore with a PAT of Rs.236 crore in FY13. Furthermore, as per the provisional results for H1FY15, RSIL earned a PAT of Rs.5 crore on a total operating income of Rs.12,810 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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