

JUNE 16, 2016

CARE REVISES 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	CARE BB+ (Double B Plus)	Revised from CARE BBB+ (Triple B Plus)
Long Term/Short Term Bank Facilities	6,931.40	CARE BB+/CARE A4+ (Double B Plus/ A Four Plus)	Revised from CARE BBB+/CARE A2 (Triple B Plus/A Two)
Total Bank Facilities	10,726.11 (Rupees Ten Thousand Seven Hundred Twenty Six Crore and Eleven Lakh Only)		

Rating Rationale

The revision in the ratings of the bank facilities of Ruchi Soya Industries Ltd. (RSIL) is on account of huge cash loss incurred by the company in Q4FY16 due to sharp adverse movement in the prices of agri-commodities (primarily castor seeds) traded by it with unhedged long positions, foreign exchange loss on its imports/ outstanding liabilities and subdued performance of its oilseed crushing & refining business. The huge loss has resulted in tightening of its liquidity apart from significant erosion of its network and consequent deterioration in its leverage.

The ratings further continue to remain constrained on account of RSIL's presence in an intensely competitive agri-commodity business along with its susceptibility to volatility in commodity prices, and foreign exchange rates, changes in duty structure for edible oil imports as well as its working capital intensive operations.

The ratings, however, continue to derive strength from RSIL's leadership position in the domestic edible oil market, established operations with a good mix of inland and port-based manufacturing facilities and its widespread marketing and distribution network, increase in branded sales as well as favourable demand scenario in the domestic market for edible oil.

CARE has also noted the announcement made by RSIL to set-up a new Joint Venture (JV) company with Adani Wilmar Ltd. (AWL; rated CARE A-/CARE A1) which will have exclusive procurement, marketing and distribution rights in the domestic market for various products of the JV partners, utilizing the combined portfolio of their brands. As of now, there is only a non-binding understanding between the proposed JV partners and the talks are presently at a nascent stage and would be subject to definitive binding documentation along with approval by various statutory and regulatory authorities.

CARE has also taken note of the recent ban imposed on RSIL to buy, sell or deal in the securities market by the Securities and Exchange Board of India (SEBI) vide its ex-parte ad-interim order dated May 24, 2016. SEBI has provided a period of 21 days to RSIL to file its objections, if any, in this regard.

The ability of RSIL to significantly improve and protect its profitability with effective hedging of commodity price risk and foreign exchange risk, raise adequate quantum of long-term capital to alleviate the present stress on the liquidity of the company in a time bound manner and significantly improve its capital structure 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.

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

Based on the published financials on stock exchanges, RSIL registered a net loss of Rs.879 crore on a total operating income of Rs.27,805 crore in FY16 (refers to the period from April 1 to March 31), compared with a net profit of Rs.61 crore on a total operating income of Rs.28,402 crore in FY15 (based on audited financials). During Q4FY16, RSIL incurred a net loss of Rs.890 crore on a TOI of Rs.8,433 crore.

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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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