SEPTEMBER 29, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long Term Bank Facilities	3,794.71	**CARE B (Single B)**	Revised from CARE BB+ (Double B Plus)
Long Term / Short Term Bank Facilities	6,931.40	**CARE B/CARE A4 (Single B/A Four)**	Revised from CARE BB+/CARE A4+ (Double B Plus/A Four Plus)
Total 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 its continued subdued operating performance in Q1FY17 which has resulted in deterioration in its debt coverage indicators and stress on its liquidity.

The ratings continue to remain constrained on account of RSIL's very high leverage due to significant erosion of its net worth in FY16, its working capital intensive operations with an elongated operating cycle; and its presence in an intensely competitive agri-commodity business with inherently thin profitability that is susceptible to volatility in commodity prices, foreign exchange rates and changes in duty structure for edible oil imports.

The ratings, however, continue to derive strength from RSIL's established operations in the domestic edible oil market with a good mix of inland and port-based manufacturing facilities and its widespread marketing and distribution network.

CARE has also noted the announcement made by RSIL to set-up a new Joint Venture (JV) company with Adani Wilmar Ltd. (AWL) 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 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.

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 funds 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.

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). Further, as per provisional financials, during Q1FY17, RSIL reported a net profit of Rs.1 crore on a total operating income of Rs.5,016 crore, compared with a PAT of Rs.89 crore on a total operating income of Rs.6,110 crore during Q1FY16. In fact, it incurred an

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

operating loss before tax of Rs.45 crore in Q1FY17; the net profit was largely on account of exceptional income of Rs.45 crore on account of sale of its investment in one of its JVs.

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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.

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