Ruchi Infrastructure Limited

April 01, 2019

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	77.66 (reduced from 86.57)	**CARE BB-; Stable (Double B Minus; Outlook: Stable)**	Reaffirmed
Total Bank Facilities	**77.66 (Rupees Seventy Seven Crore and Sixty Six Lakh Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Ruchi Infrastructure Ltd. (RIFL) continue to remain constrained by its modest scale of operations on account of discontinuation of the agro commodity trading business and moderate capacity utilization in the infrastructure (storage terminal and agri-warehousing) business, subdued profitability, weak debt coverage indicators and significant exposure to group entities by way of investments and advances.

The aforesaid constraints are mainly offset by the established operations of RIFL in liquid storage terminals and agro-warehousing business.

The rating takes cognizance of the fact that RIFL has monetized some of its non-core assets in the recent past and its realization has aided the company in meeting its large repayment obligations.

Ability of RIFL to increase the scale of operations and improve profitability & capital structure would be the key rating sensitivities. Furthermore, timely realization of the long-standing receivables mainly pertaining to the company's discontinued agro commodity trading business, timely materialization of the envisaged idle asset sales and any major debt-funded capex or incremental investment in group entities would also be the key credit monitorables.

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations with subdued profitability

RIFL's scale of operations remain modest with 86% y-o-y de-growth in its total operation income (TOI) during FY18 (FY refers to the period April 1 to March 31) to Rs.39.76 crore. This was due to discontinuation of the high risk and volatile agro-commodity trading business and moderate capacity utilization in the infrastructure business in FY18, which has however improved from 56% for warehouses and 58% for storage terminals during H1FY18 to 80% for warehouses and 63% for storage terminals during H1FY19. During 9MFY19, income from infrastructure business improved marginally to Rs.26.47 crore and overall TOI grew by 52% to Rs.42.62 crore mainly on account of sale of lying inventory in commodities segment in Q1FY19.

Modest TOI, along with sizeable interest costs due to asset heavy infrastructure business, provision for receivables and fair valuation of investments (as per IND AS), resulted in subdued profitability and net losses for two years ended FY18 and also in 9MFY19.

The company had long-outstanding receivables amounting to Rs.54.41 crore as on March 31, 2018, mainly pertaining to its discontinued agro commodity trading business segment. Timely realization of the same shall remain crucial for the liquidity of the company.

Weak debt coverage indicators with significant exposure to group entities

Debt coverage indicators of the company remained weak with a total debt/GCA of 268x in FY18 (108x in FY17) and PBILDT interest coverage of 0.12x in FY18 (1.25x in FY17) on account of large debt for infrastructure business and subdued profitability mainly on account of provisions for bad debt. Overall gearing remained moderate at 1.20x as on March 31, 2018 with repayment of working capital borrowings on account of discontinuation of the trading business. Furthermore, RIFL also has significant exposure to its group companies with 48% of RIFL's net worth as on March 31, 2018 being invested in these companies, which however, reduced to 36% as on September 30, 2018. This exposes RIFL to the risk inherent to these businesses.

Liquidity analysis

RIFL had a free cash balance of Rs.8.41 crore as on March 31, 2018. However, with high scheduled liabilities in the medium term on the back of low cash accruals, the same is expected to be utilized in the medium term. Further, the company plans to liquidate some of its idle / noncore assets in its infrastructure business segment in near to medium term on account of which, RIFL is expected to have moderate cash flow for servicing of maturing debt obligation. Further,

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

with prepayment of loans linked to these assets the maturing principal liability in the medium term has relatively reduced.

Key Rating Strengths

Established operations of storage terminals and agro-warehouses

RIFL operates storage terminals with an aggregate capacity of 1.48 lakh metric tonne (MT) per month across India and dry storage warehouses with an aggregate capacity of 2.31 lakh MT per month in the state of Madhya Pradesh. Besides, RIFL also operates a jetty for bulk cargo near Jamnagar in Gujarat for export of agro-commodities. Part income in this business segment is derived from Ruchi group entities (24% in FY18 & 20 % in 9MFY19); however the company has gradually diversified its customer base. Also, the company has discontinued its high risk and volatile agro commodity trading business and is now focused on its established infrastructure business only.

Monetization of idle assets in infrastructure business segment

In FY18 and 9MFY19, the company has liquidated some of its idle / noncore assets in its infrastructure business segment and has utilized the sales proceeds to fund the expansion of its existing storage terminals and warehouses at productive business locations, as a part of business expansion, and debt servicing requirements of the company including prepayment of term loans to the extent of Rs.9.43 crore in FY18 and 9MFY19. The company plans to further liquidate some of its idle / noncore assets in its infrastructure business segment and timely sales of these idle assets and prudent end-use of the funds received thereof shall remain crucial from credit perspective.

Analytical approach: Standalone

Applicable Criteria:

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology: Factoring linkages in ratings
Rating Methodology – Manufacturing Companies
Financial Ratios: Non-Financial Sector

About the Company

Incorporated in 1984, RIFL is a part of the Ruchi Group of Indore, 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.
RIFL is engaged in warehousing business through its 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). Till the recent past, it was also engaged in opportunity based trading of various agri-commodities such as edible and non-edible oil, de-oiled cakes, grains and oil seeds; however the same has now been discontinued.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	296.44	39.76
PBILDT*	31.98	1.70
PAT	0.40	(7.68)
Overall gearing (times)	1.17	1.20
Interest coverage (times)	1.25	0.12

A: Audited

** Includes provision for doubtful debt of Rs.7.35 crore (FY 17) and Rs.14.38 crore (FY18)*

As per the provisional results for 9MFY19, RIFL registered a net loss of Rs.7.13 crore (including provision for doubtful debts of Rs.8.08 crore) on a TOI of Rs.50.73 crore, compared with a net loss of Rs.8.00 crore (including provision for doubtful debts of Rs.4.45 crore) on a TOI of Rs.31.33 crore in 9MFY18.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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.*

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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	-	-	March 2027	77.66	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Term Loan-Long Term	LT	-	-	-	-	1)Withdrawn (27-Dec-16)	1)CARE BBB+ (05-Jan-16)
2.	Non-fund-based-Short Term	ST	-	-	-	-	1)Withdrawn (27-Mar-17) 2)Suspended (30-Dec-16) 3)CARE D (27-Dec-16)	1)CARE A2 (05-Jan-16)
3.	Fund-based - LT-Term Loan	LT	77.66	CARE BB-; Stable	-	1)CARE BB-; Stable (22-Feb-18) 2)CARE BB-; Stable (13-Jul-17)	-	-

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