

## Ruchi Infrastructure Limited

September 25, 2019

### Rating

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	54.62 (reduced from 77.66)	<b>CARE BB-; Stable</b> <b>[Double B Minus; Outlook: Stable]</b>	<b>Reaffirmed</b>
<b>Total Bank Facilities</b>	<b>54.62</b> <b>(Rupees Fifty Four Crore and Sixty Two Lakh Only)</b>		

*Details of instrument in Annexure-1*

### Detailed rationale & key rating drivers

The rating assigned to the bank facilities of Ruchi Infrastructure Limited (RIFL) continues to remain constrained by modest scale of operations, subdued profitability albeit with marginal improvement in recent quarters and weak debt coverage indicators. The rating also remains constrained by exposure of RIFL to group entities by way of investment and advances; however with reduction in the same during FY19 (refers to period April 1 to March 31).

The aforesaid constraints are partially offset by established operations of RIFL in liquid storage terminals and agri-warehousing business.

CARE continues to take cognizance of monetization of idle/non-core assets of infrastructure division and liquidation of stake in group entities by RIFL, which alongwith sale of inventory of the discontinued agro-commodity trading business, has resulted in prepayment of part debt in recent quarters and aided the liquidity of the company.

The ability of RIFL to increase its scale of operations in the infrastructure division, improve profitability and debt coverage indicators alongwith timely realizations of envisaged asset sale considerations and receivables would be key rating sensitivities.

Furthermore, 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 and profitability; albeit with marginal improvement in recent quarters**

RIFL's scale of operations remained modest with a total operating income (TOI) of Rs.57.54 crore in FY19, comprising 60% from infrastructure segment and 27% from agro commodity.

TOI grew y-o-y by 45% in FY19 mainly due to sale inventory of discontinued agro commodity segment; alongwith marginal improvement in income from infrastructure segment which grew y-o-y by around 10% in FY19.

During Q1FY20, company registered a TOI of Rs.11.33 crore, which was largely through its infrastructure segment. Profitability remained modest with cash losses in FY19 with losses in agro-commodity segment which were mainly on account of provision for doubtful debt and non-booking of any profits from sale of land during the year; albeit profitability improved marginally in Q1FY20 with gross cash accruals of Rs.1.39 crore (which includes provision for doubtful debts of Rs. 1.81 crore) registered in Q1FY20 as against cash loss of Rs.3.98 in previous quarter; mainly on account of improvement in income and profitability from infrastructure division.

#### **Weak debt coverage indicators**

Debt coverage indicators of the company continue to remain weak due to term loans availed for asset heavy infrastructure business and subdued profitability; as indicated by PBIDLT interest coverage of 0.62x in FY19.

Overall gearing remained moderate at 1.25x as on FY19 on account of prepayment of term loans and repayment of working capital borrowings. In recent quarters the company has prepaid term loans of over Rs.35 crore and in addition to the cash profit registered in Q1FY20 the company is further expected to liquate its non-core asset.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

### Key Rating Strengths

#### **Established operations of storage terminals and agri-warehouses**

RIFL operates 54 storage terminals across country with aggregate capacity of 1.53 lakh metric tonne (MT) per month. It also operates 43 dry storage warehouses with aggregate capacity of 2.30 lakh metric tonne (MT) per month. Whereas, utilization of warehouse and storage terminal has improved from 74% to 87% and 67% to 74% respectively (in Apr to Jun 2019 v/s Apr to Jun 2018). Part income in this business segment is derived from Ruchi Group entities (around 20% in FY19); however company has 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.

#### **Monetization of idle assets and stake sale in group entities aiding the modest liquidity:**

Company's liquidity is modest owing to its subdued business operations. However, since FY18, it has commenced liquidation of some of its non-core assets of its infrastructure business segment and has also liquidated its stake in group entities. This, alongwith sale of inventory of commodity business, receipt of an income tax refund and an advance sale consideration received for a land parcel scheduled to be sold in Q4FY20 enabled the company to prepay its part long-term debt and also expand its existing profitable storage terminals and warehouses.

In recent quarters, RIFL has prepaid term loans of over Rs.35 crore, over and above the prepayments made in last two years. In medium term, it has large scheduled annual debt repayment of around Rs.10-13 crore which will be served from internal accruals as well as monetization of non-core assets. Timeliness of the sales and prudent end use of such funds shall remain crucial from credit perspective.

Furthermore, company has also written off large part of its long-standing receivables mainly pertaining to trading business and realization of balance receivables shall remain crucial from credit perspective.

#### Reduction in exposure to group entities though same remains sizeable

RIFL's exposure towards its group entities has reduced during FY19 through liquidation / diminution in value of investments; however same remains sizeable at around 34% of its networth as at FY19 end (48% as at FY18). Majority of this investment is in wind power generation and real estate development (subsidiary and associates), which exposes the company to risks inherent to these businesses. Company has also extended a corporate guarantee of around Rs.72 crore towards the aforesaid wind power generation business.

**Analytical approach:** Standalone

#### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[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 agro-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)	FY18 (A)	FY19 (A)
Total operating income	39.76	57.54
PBILDT*	1.70	7.89
PAT	(7.68)	(13.25)
Overall gearing (times)	1.20	1.25
Interest coverage (times)	0.12	0.62

A: Audited

\*includes provision for doubtful debt of Rs.14.38 crore (FY18) and Rs.11.30 crore (FY19)

As per the result for Q1FY20, RIFL registered a net loss of Rs.1.18 crore (incl provision for doubtful debt of Rs. 1.81 crore) on TOI of Rs.11.33 crore, compared with a net loss of 0.49 crore (incl provision for doubtful debt of Rs. 1.80 crore) on TOI of Rs.27.38 crore.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**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	-	-	December 31, 2023	54.62	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (27-Dec-16)
2.	Non-fund-based-Short Term	ST	-	-	-	-	-	1)Withdrawn (27-Mar-17) 2)Suspended (30-Dec-16) 3)CARE D (27-Dec-16)
3.	Fund-based - LT-Term Loan	LT	54.62	CARE BB-; Stable	1)CARE BB-; Stable (01-Apr-19)	-	1)CARE BB-; Stable (22-Feb-18) 2)CARE BB-; Stable (13-Jul-17)	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Group Head Name - Nikita Goyal

Group Head Contact no: +91-79-4026 5670

Group Head Email ID- [nikita.goyal@careratings.com](mailto:nikita.goyal@careratings.com)

### Relationship Contact

Contact Name: Mr. Deepak Prajapati

Contact no. : +91-79-4026 5656

Email ID: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

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