Ruchi Infrastructure Limited

October 06, 2020

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	2.83	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Long Term Bank Facilities	50.88 (reduced from 54.62)	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Total Facilities	53.71 (Rupees Fifty Three Crore and Seventy One Lakh Only)		

Details of facilities 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 exposure of RIFL to group entities by way of investment and advances; however with reduction in the same in recent past.

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 substantial debt in recent quarters thereby aiding the liquidity of the company and improving its debt coverage indicators.

Key Rating Sensitivities

Positive Factors:

- Significant increase in scale of operations in the infrastructure division along with improved profitability
- Improved debt coverage indicators along with timely realizations of envisaged asset sale considerations

Negative Factors:

- Any major debt funded capex plans
- Significant incremental investment or advances to group entities

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.62.16 crore in FY20, comprising 57% from infrastructure segment and 26% from agro commodity. TOI grew marginally during FY20 on account of sale of inventory of discontinued agro commodity segment; along with marginal improvement in income from infrastructure segment which grew y-o-y by around 4% in FY20.

During Q1FY21, company registered a TOI of Rs.11.33 crore, which was largely through its infrastructure segment. Profitability remained modest with negligible profit after tax (PAT) in FY20 with losses in agro-commodity segment; albeit profitability improved marginally in Q1FY21 with PAT of Rs.2.24 crore and gross cash accruals (GCA) of Rs.4.47 crore mainly on account of improvement in income and profitability from infrastructure division.

Significant exposure to Ruchi group entities despite reduction since FY18: RIFL's exposure towards its group entities has reduced since FY18 through liquidation / diminution in value of investments; however same remains sizeable at around 34% of its networth as at FY20 end. The company has also made advances to its subsidiaries which stood at Rs.14.67 crore as on March 31, 2020. Majority of this investment and advances is in wind power generation and real estate development, 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.

Any incremental investment or advances to the group entities would be a key credit monitorable.

Key Rating Strengths

Established operations of storage terminals and agri-warehouses: RIFL operates 56 storage terminals across country with aggregate capacity of 1.56 lakh metric tonne (MT) per month. It also operates 44 dry storage warehouses with aggregate

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

capacity of 2.34 lakh metric tonne (MT) per month. Earlier, part income in this business segment was derived from erstwhile Ruchi Group entities however company has diversified its customer base with only 2% of income derived from group entities in FY20. Also, the company has discontinued its high risk and volatile agro commodity trading business and is now focused on its established infrastructure business.

Improved debt coverage indicators: Substantial prepayment of term loan has led to significant improvement in debt coverage indicators of the company during FY20 as indicated by improvement in the company's overall gearing from 1.25x as at FY19 end to 0.92x as at FY20 end and PBILDT interest coverage from 0.62x during FY19 to 2.33x during FY20.
Further, the company is expected to further liquidate its non-core business assets during FY21 to support its business operations and debt servicing requirements.

Liquidity: stretched; albeit aided by monetization of idle assets and sale of inventory of its commodity segment: Company's liquidity is stretched 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 sold entire lying inventory of its commodity segment which has now been discontinued. This, alongwith liquidation of stake in group entities, receipt of an income tax refund and proceeds of sale of land parcel enabled the company to prepay its part long-term debt and also expand its existing profitable storage terminals and warehouses.
However, having regard to the prevailing uncertainties on account of outbreak of COVID-19, the company had availed the moratorium for payment of its debt obligations for six months as announced by the Reserve Bank of India to support its liquidity.
In recent quarters, RIFL has prepaid term loans of over Rs.35 crore, over and above the prepayments made in last two years. Despite this, in medium term, it has large scheduled annual debt repayment of around Rs.10-14 crore which will be served through a mix of internal accruals and liquidation of its non-core assets. Timeliness of the sales and prudent end use of such funds shall remain crucial from credit perspective.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Rating Methodology – Manufacturing Companies
Liquidity Analysis of Non-Financial Sector Entities

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 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)	FY19 (A)	FY20 (A)
Total operating income	57.54	62.16
PBILDT*	7.89	18.08
PAT	(13.25)	0.21
Overall gearing (times)	1.25	0.92
Interest coverage (times)	0.62	2.33

A: Audited
**includes provision for doubtful debt of Rs.11.30 crore (FY19) and Rs.7.68 crore (FY20)*
As per the published results for Q1FY21, RIFL registered a net profit of Rs.2.24 crore on TOI of Rs.11.48 crore, compared with a net profit of 1.56 crore on TOI of Rs.16.16 crore in Q4FY20.

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2
Complexity level of various instruments rated for this company: Annexure 3

Annexure-1: Details of Facilities

Name of the Bank Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	June 30, 2024	50.88	CARE BB-; Stable
Fund-based - LT-Term Loan	-	-	June 30, 2024	2.83	CARE BB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	50.88	CARE BB-; Stable	-	1)CARE BB-; Stable (25-Sep-19) 2)CARE BB-; Stable (01-Apr-19)	-	1)CARE BB-; Stable (22-Feb-18) 2)CARE BB-; Stable (13-Jul-17)
2.	Fund-based - LT-Term Loan	LT	2.83	CARE BB-; Stable	-	-	-	-

Annexure-3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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