

Press Release
Omprakash Shivprakash

March 08, 2023

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.00	ACUITE BBB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	13.00	-	-

Rating Rationale

Acuite has Upgraded the **long-term rating to 'ACUITE BBB-' (read as ACUITE triple B minus) from 'ACUITE BB+' (read as ACUITE double B plus)** on the Rs. 13.00 Crore bank facilities of Omprakash Shivprakash (OPSP). The outlook is **'Stable'**.

Rationale for Upgrade

The rating upgrade takes into account the stable operating and financial performance of the group during the review period. The operating income of the group improved to Rs. Rs.582.65 Cr in FY2022 as against Rs.408.77 Cr in FY2021, driven by increased exports of rice in its total sales constitution. In 10MFY23 the group has achieved revenue of Rs.328 Cr and is expected to close the year in the range of Rs.400-410 Cr. The moderation is primarily on account of imposition of export duties by the government on certain commodities, including some varieties of rice September 2022 onwards. The duties made the commodities costlier in the global market, leading to reduced export orders for the group in H2FY23. The financial risk profile of the group continues to remain moderate marked by moderate network, low gearing and comfortable debt protection metrics. Going forward, RG's ability to improve its scale of operations while maintaining the profitability margins and capital structure and managing its working capital cycle efficiently shall remain a key rating monitorables.

About Company

OPSP is a partnership firm established in 1959. It is engaged in processing of toor dal, processing of cotton bales on job work basis, and is also engaged in trading of various food grains, rice, oil and cotton. The firm has two dal processing units located at Akola (Maharashtra).

About the Group

Ruhatiya Group comprising of Narmada Solvex Private Limited, Kaluram Food Products Private Limited, Ruhatiya Cotton & Metal Private Limited, Ruhatiya Spinners Private Limited, Ruhatiya Hospitals Private Limited, Kaluram Laminates Private Limited, Vidarbha Textile Mill Owners Association, Omprakash Shivprakash and Ruhatiya Agro Private Limited was established in 1995 by Mr. Shivprakash Ruhatiya, Mr. Ajayprakash Ruhatiya and Mr. Shriprakash K Agarwal. The group has presence in the oil industry, textile industry and agro industry, among others. The manufacturing facility of the group is located at Akola (Maharashtra).

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of Ruhatiya Cotton and Metal Private Limited (RCM), Ruhatiya Spinners Private Limited (RSPL) and Omprakash Shivprakash (OPSP), hereafter referred to as 'Ruhatiya Group'. The consolidation is mainly on account of similarity in the line of business, strong operational and financial synergies and common management.

Key Rating Drivers

Strengths

Experienced management and long track record of operation

The group, promoted by Mr. Shivprakash Ruhatiya, Mr. Ajayprakash Ruhatiya and Mr. Shriprakash K Agarwal, have experience of over three decades in various agro-based industries. Ruhatiya Group has an established track record of over three decades in trading of cotton and agro-based industry. The promoters' extensive industry experience has enabled the group to establish long-term relations with the customers and suppliers. Acuité believes that the promoters' entrepreneurial experience and healthy relationship with customers and suppliers will support its business risk profile over the medium term.

Moderate Financial Risk Profile

Ruhatiya Group has a moderate financial risk profile marked by moderate net worth, coverage indicators and healthy gearing ratio. The tangible net worth stood at Rs. 56.46 crore as of March 31, 2022, as against Rs. 52.82 crore as of March 31, 2021. The net-worth includes Rs.33.38 crore of USL which has been considered as quasi-equity. The debt-to-equity ratio improved to 0.74 times as of March 31, 2022, from 1.13 times as of March 31, 2021. This is primarily due to a reduction in overall debt levels as of March 31, 2022. The Short-term debt outstanding as of March 31, 2022 reduced to Rs.33.69 crore against Rs.50.58 crore as of March 31, 2021 because of improved efficiency in working capital operations leading to lower reliance on working capital limits during the year. The total debt of Rs.41.54 crore constituted of term loan of Rs. 7.85 crore and balance short-term debt.. The interest coverage ratio (ICR) improved to 1.93 times for FY2022 against 1.74 times in FY2021. However, DSCR stood at 1.15 times as of March 31, 2022, against 1.63 times in the previous year. Total outside liabilities/tangible net worth (TOL/TNW) improved to 1.22 times as of March 31, 2022, as against 2.14 times as of March 31, 2021. The financial risk profile of the group is expected to remain moderate over the medium term.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the group are intensive, however recorded an improvement in FY2022 marked by gross current asset days of 72 in FY2022 against 139 days in FY2021. Improvement in GCA days is led by inventory days of 5 days in FY2022 against 21 days in FY2021 and Debtor days of 42 days in FY2022 against 92 days in FY2021. Creditor days stood at 19 days in FY2022 against 46 days in FY2021. Increased exports, advance payments have contributed to improved GCA days. However, fund-based limit utilisation was 79.2 percent for the eight months ending January 2023. Further, with moderation in scale of operations expected in FY23, the working capital cycle is estimated to elongate in near term with GCA days expected to range between 100-115 days by end of FY23.

Acuite believes that the elongation of working capital cycle of the group will remain a key rating monitorable.

Susceptibility of revenues and profitability margins to government regulations and climatic conditions

Ruhatiya Group majorly deals in agro commodities like rice, soyabean, dals, sugar and cotton. All these being seasonal crops, production and availability is highly dependent on monsoon and other climatic conditions. Further, prices of these commodities are also regulated by the government through MSP (Minimum Support Price) and imposition of various duties from time to time.

Presence in a competitive industry with low entry barriers

The wholesale trading industry of agro-commodities is a fragmented industry with low entry barriers. The industry is characterized by a large number of organized and unorganized players which leads to intense competition. Moreover, due to low value additive nature of trading business, the profitability margins are thin.

Rating Sensitivities

- Improvement in operating income and profitability while maintain the capital structure
- Elongation in working capital cycle leading increased reliance working capital borrowings

Material Covenants

None

Liquidity Position Adequate

The group has adequate liquidity, marked by sufficient net cash accruals against its maturing debt obligations. Cash accruals in FY2022 stood at Rs.6.24 crore against maturing debt obligation of Rs.4.42 crore. RG's cash accruals are estimated to be in the range of Rs. 4.90-6.55 crore during FY2023 and FY2024 against the maturing debt obligations of Rs. 2.02-2.60 respectively. In the eight months ending January 2023, the average utilisation of bank limits was 79.2 percent. The group had an unencumbered cash and bank balances of Rs. 6.87 crore as of March 31, 2022. The current ratio stood average at 1.79 times as of March 31, 2022. Acuite believes the liquidity position of the group would remain adequate over the medium term.

Outlook: Stable

Acuite believes that Ruhatiya Group will maintain a 'Stable' business risk profile over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues, while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins, or in case of deterioration in the group's financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	582.65	408.77
PAT	Rs. Cr.	4.57	2.43
PAT Margin	(%)	0.78	0.60
Total Debt/Tangible Net Worth	Times	0.74	1.13
PBDIT/Interest	Times	1.93	1.74

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Oct 2022	Cash Credit	Long Term	13.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
15 Jul 2021	Packing Credit	Short Term	3.00	ACUITE A3 (Withdrawn)
	Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB- (Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BBB- Stable Upgraded

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About Acuité Ratings & Research

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