Press Release
Omprakash Shivprakash
June 05, 2024
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.00	ACUITE BB+ | Stable | Downgraded	-
Total Outstanding Quantum (Rs. Cr)	13.00	-	-

Rating Rationale

Acuité has downgraded its long-term rating to **'ACUITE BB+' (read as Acuite double B plus)** from **'ACUITE BBB-' (read as ACUITE t riple B minus)** on the Rs. 13.00 Crore bank facilities of Omprakash Shivprakash (OPSP). The outlook is **'Stable'.**

Rationale for rating downgrade.
The downward revision in the rating considers the deterioration recorded in the operating performance of the group in FY2023 and FY2024E. The operating income declined to Rs.351.71 Cr. in FY2023 against Rs.581.87 Cr. in FY2022. Further, the revenue is estimated to decline in FY2024 to ~ Rs.257 Cr. The decline is primarily due to export restrictions imposed by the government on wheat and rice during most part of these financial years. The operating profit margin also declined in FY2023 to 1.36 % against 2.08% in FY2022. Going ahead, improvement in operating profit margin is estimated in the near term.
Further, due to reclassification of quasi equity quantum and partial withdrawal of capital from one of the group companies, the financial risk profile has also moderated. The gearing levels stood at 1.33 times as of March 31, 2023, against 0.74 times as of March 31,2022. Also, due to reduction in operating profits, the debt coverage indicators also moderated in FY2023.
Further, the rating remains constrained due to susceptibility of its revenues and profitability margins to government regulations and climatic conditions and presence in a competitive industry with low entry barriers.
Going ahead, the ability of the group to increase its scale of operations and profitability while maintaining its moderate financial risk profile and adequate liquidity position will remain key monitorable.

About the 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).

Unsupported Rating

Not Applicable

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 Nature of Working Capital Operation

The working capital operations of the group are moderate in nature marked by GCA days of 68 days in FY2023 against 70 days in FY2022. The inventory days stood at 10 days in FY2023 against 05 days in FY2022 and the debtor days stood at 50 days in FY2023 against 42 days in FY2022. Creditor days stood at 13 days in FY2023 against 19 days in FY2022. The reliance on working capital limits stood at moderate levels of ~54% over the past 6 months ending April 2024.The group hedges 100% of its foreign exchange transactions.
Going ahead, working capital operations of the group are expected to remain in similar range over the medium term.

Weaknesses

Moderate Financial Risk Profile

Ruhatiya Group has a moderate financial risk profile marked by moderate net worth, average coverage indicators and moderate gearing ratio. The tangible net worth stood at Rs. 30.51 crore as of March 31, 2023, as against Rs. 56.45 crore as of March 31, 2022. There has been a withdrawal of capital of ~Rs.5.98 Cr in FY2023 from the partnership firm – Omprakash Shivaprakash. The net-worth includes Rs.12.75 crore of unsecured loans(USL) which has been considered as quasi-equity. As a result, the debt-to-equity ratio moderated to 1.33 times as of March 31, 2023 against 0.74 times as of March 31, 2022. Further, it is estimated to increase in FY2024 on account of higher USL infusion. *(USL is interest free)*.
The debt of the group stood at Rs.40.50 crore as of March 31, 2023 against Rs.41.52 crore as of March 31, 2022. The debt includes, short term borrowings of Rs.23.25 crore, USL of Rs.11.86 crore and Rs.5.38 crore of long term debt. The interest coverage ratio (ICR) deteriorated to 1.39 times for FY2023 against 1.93 times in FY2022. The DSCR stood at 1.05 times as of March 31, 2023, against 1.78 times in the previous year. Total outside liabilities/tangible net worth (TOL/TNW) stood at 1.59 times as of March 31, 2023, as against 1.22 times as of March 31, 2022. The financial risk profile of the group is expected to remain moderate over the medium term on account of steady accrual generation and absence of any major debt funded capex.

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. In FY2023 and FY2024E the revenue and profitability of the group has been impacted primarily due to government-imposed restrictions on the exports of wheat and certain varieties of rice to cater to domestic needs. Going ahead, the operations of the group continue to remain susceptible to such regulatory and policy level changes by the government.

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 maintaining its capital structure
- Any significant elongation in working capital cycle leading increased reliance working capital borrowings

Liquidity Position

Adequate
The group has adequate liquidity, marked by sufficient net cash accruals against its maturing debt obligations. The net cash accruals in FY2023 stood at Rs.2.46 crore against maturing debt obligation of Rs.2.02 crore. RG's cash accruals are estimated to be in the range of Rs. 4.70-5.59 crore during FY2024 and FY2025 against the maturing debt obligations of Rs. 2.01-2.61 respectively. Further, the reliance on working capital limits stood at moderate levels of 54% over the last 6 months ending April 2024. The group had an unencumbered cash and bank balances of Rs.0.30 crore as of March 31, 2023. The current ratio stood average at 1.84 times as of March 31, 2023. Acuite believes that the liquidity position of the group would remain adequate over the medium term marked by expected sufficient cash accrual generation and buffer available in the form of unutilised working capital limits.

Outlook:Stable

Acuité 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 further 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	351.71	581.87
PAT	Rs. Cr.	0.52	4.57
PAT Margin	(%)	0.15	0.79
Total Debt/Tangible Net Worth	Times	1.33	0.74
PBDIT/Interest	Times	1.39	1.93

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
- Rating Process and Timeline: https://www.acuite.in/view-rating-criteria-67.htm
- Trading Entities: 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, Acuité 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
08 Mar 2023	Cash Credit	Long Term	13.00	ACUITE BBB- | Stable (Upgraded from ACUITE BB+)
11 Oct 2022	Cash Credit	Long Term	13.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- | Stable)
15 Jul 2021	Cash Credit	Long Term	10.00	ACUITE BBB- (Upgraded & Withdrawn)
	Cash Credit	Long Term	13.00	ACUITE BBB- | Stable (Upgraded from ACUITE BB+ | Stable)
	PC/PCFC	Short Term	3.00	ACUITE A3 (Upgraded & 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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.00	ACUITE BB+ | Stable | Downgraded (from ACUITE BBB-)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No	Name of the Entity
1	RUHATIYA COTTON AND METAL PRIVATE LIMITED
2	OMPRAKASH SHIVPRAKASH
3	RUHATIYA SPINNERS PRIVATE LIMITED

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022–49294017 mohit.jain@acuite.in Pradeep Singh Manager-Rating Operations Tel: 022-49294065 pradeep.singh@acuite.in	Varsha Bist Associate Vice President-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.