



Press Release

Rungta Irrigation Limited

September 08, 2022

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	2.60	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	3.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	16.60	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of 'ACUITE BB-' (read as ACUITE double B minus) on the Rs.11.00 crore and assigned long-term rating of 'ACUITE BB-' (read as ACUITE double B minus) and short term rating of 'ACUITE A4+' (read as ACUITE A Four Plus) on the Rs. 5.60 crore bank facilities of Rungta Irrigation Limited (RIL). The outlook is 'Stable'.

Rationale for rating reaffirmation

The rating reaffirmation consider the comforts drawn from stable business risk profile and experience of management. RIL's financial risk profile continues to remain moderate. Acuite expects the business and financial performance is likely to improve over the medium term. However, the rating remains constrained on account of intensive working capital operations, modest scale of operations.

About the Company

Incorporated in the year 1993, RIL is a Delhi based company promoted by Mr. M. P. Rungta. The company is engaged in manufacturing, designing, assembling and marketing pipe based sprinkler irrigation system. The Company is also engaged in manufacturing of MDPE, HDPE and PVC pipes and others. The company has two manufacturing plants located one at Ghaziabad, Uttar Pradesh and the other at Yanam, Pondicherry.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of RIL to arrive at this rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

RIL was incorporated in the year 1993. The company got listed on BSE in the year 1994. The Managing Director of the company Mr. M. P. Rungta has been associated with the company since its inception and has an experience of around three decades in the aforementioned industry and is ably assisted by an experienced second line of management. Moreover, the promoters are also associated with various entities of Rungta group. Rungta group has diversified business in various sectors such as iron and steel, financial consultants, real estates, etc. The Rungta group of companies includes Ramgarh Sponge Iron Private limited, Shriram Power and Steel Private Limited and Gladiolus Finance Consultant Private Limited to name a few. The extensive experience of the promoters has helped the company to maintain a healthy relationship with its customers and suppliers. The customer profile of the company includes both the government as well as private entities.

Moderate financial risk profile

RIL has moderate financial risk profile marked by Moderate net worth and moderate debt protection metrics. RIL's net worth stood at Rs. 65.95 Cr as on 31st March 2022 as against Rs.65.03 Cr as on 31st March 2021. Gearing levels (debt-to-equity) stood at 0.35 times as on March 31, 2022 as against 0.25 in FY 2021. Further, the interest coverage ratio stood strong at 3.54 times for FY2022 as against 2.76 times in FY2021. However, Debt service coverage ratio moderated and stood at 1.34 times in FY2022 in comparison to 2.21 times in FY2021.

Weaknesses

Intensive working capital operations

RIL has intensive working capital requirements as evident from gross current assets (GCA) of 396 days in FY2022 as compared to 531 days in FY2021. Debtor days have improved marginally to 191 days in FY2022 as against 229 days in FY2021. The working capital limits are utilized at ~80 per cent during the last Six months. Further, the current ratio of RIL stood at 4.23 times as on March 31, 2022.

Highly competitive and fragmented nature of industry

The company is operating in a highly competitive and fragmented industry with a large number of organized and unorganized players present in the market, which limits the bargaining power of the company. However, the risk is mitigated to some extent on account of an established track record of operations and experienced management.

Rating Sensitivities

- Improvement in the scale of operations as well as profitability margins.
- Improvement in working Capital Operations

Material covenants

None

Liquidity Position

Adequate

RIL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. Company generated cash accruals of Rs. 2.53 crore for FY2022 as against Rs. 1.59 crore of repayment obligations for the same period. Current Ratio stood at 4.23 times as on 31 March 2022(Prov.) as against 3.72 times in the previous year. Therefore, firm has adequate liquidity to meets its requirements.

Outlook: Stable

Acuité believes that RIL will maintain a stable outlook over the medium term backed by its experienced management and established track record of operation in the aforementioned

industry. The outlook may be revised to 'Positive' in case the company achieves sustained growth in revenues and higher-than-expected improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higherthanexpected workingcapital requirements.

Other Factors affecting Rating

None

About the Rated Entity - Key Financials

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	70.26	44.45
PAT	Rs. Cr.	1.27	0.55
PAT Margin	(%)	1.81	1.25
Total Debt/Tangible Net Worth	Times	0.35	0.25
PBDIT/Interest	Times	3.54	2.76

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Dec 2021	Cash Credit	Long Term	11.00	ACUITE BB- Stable (Reaffirmed)
27 Oct 2020	Cash Credit	Long Term	11.00	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Buyers Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE BB- Stable Assigned

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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.

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