



Press Release
RUNGTA IRRIGATION LIMITED
December 07, 2023
Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.60	ACUITE BB Stable Upgraded	-
Bank Loan Ratings	3.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	16.60	-	-

Rating Rationale

Acuite has upgraded the long-term rating from ‘**ACUITE BB-**’ (read as **ACUITE double B minus**) to ‘**ACUITE BB**’ (read as **ACUITE double B**) and reaffirmed the short term rating of ‘**ACUITE A4+**’ (read as **ACUITE A Four Plus**) on the Rs.16.60 crore bank facilities of Rungta Irrigation Limited (RIL). The outlook is ‘**Stable**’.

Rationale for Upgrade

The rating action takes into account improved business risk profile, moderate financial risk profile and adequate liquidity Position. Company reported substantial improvement which is apparent from growth in revenue from operations by ~85% in FY2023 to Rs. 130.13 crore as against Rs. 70.26 crore for FY2022 (193 percent from FY 21 to FY 23). The operating profit margin of the company improved by 65 bps in FY 23. Company reported PAT of Rs 2.98 crore in FY 23 as against Rs 1.27 crore in FY 22. Financial risk profile of the company improved with low gearing, moderate net worth & improved coverage indicators. The Total Tangible net worth stood at Rs. 76.61 Cr as on 31st March 2023 as against Rs. 65.95 Cr a year earlier. Debt to Equity ratio stood low at 0.14 times in FY 2023. Interest coverage ratio stood comfortable at 4.05 times for FY2023 and Debt Service coverage ratio stood at 2.16 times for FY2023. Current Ratio stood at 3.86 times as on 31 March 2023. Acuite believes that the company’s ability to grow its scale of operations and profitability while maintaining a healthy capital structure remains a key rating indicator.

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.

Unsupported Rating

Not Applicable

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.

Business risk profile-Improved

RIL's Operating income saw substantial improvement which is apparent from growth in revenue from operations by ~85% in FY2023 to Rs. 130.13 crore as against Rs. 70.26 crore for FY2022 (193 percent from FY 21 to FY 23). The operating profit margin of the company improved by 65 bps in FY 23. Operating Profit Margin of company stood at 4.28% in FY2023 as against 3.63% in FY2022 likewise the net profit margin of the company increased by 48 bps and stood at 2.29 percent in FY2023 as against 1.81 percent in FY 22. ROCE of the company stood at 6.61 percent in FY2023.

Business risk profile-Improved

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Financial Risk Profile- Moderate

Company has moderate financial risk profile marked by moderate net worth, coverage indicators and low gearing. The Total Tangible net worth stood at Rs. 76.61 Cr as on 31st March 2023 as against Rs. 65.95 Cr a year earlier. Increase in net worth is on account of increase in paid up capital and Profit accretion.

Interest coverage ratio increased by 51 bps and stood comfortable at 4.05 times for FY2023 as against 3.54 times in FY2022. Improvement in Interest coverage ratio is on account of higher operating income and margin in FY 23 in comparison to FY 22. Likewise, Debt Service coverage ratio increased by 82 bps and stood comfortable at 2.16 times for FY2023 as against 1.34 times in FY2022.

Total outside liabilities to total net worth (TOL/TNW) stood at 0.34 times as on FY2023 vis-à-vis 0.56 times as on FY2022. Debt-EBITA improved and stood at 1.51 times as on 31st March 2023 as against 5.62 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.41 times as on FY2023 and 0.11 times for FY2022. The financial risk profile of the company is expected to improve and remain comfortable in medium terms, as the company do not have any large capex plan in the medium term.

Weaknesses

Working capital operations- Improved yet high

Company has improved yet high working capital requirements as evident from gross current assets (GCA) of 202 days in FY2023 as compared to 396 days in FY2022. High Working capital requirement is on account of High Receivables and Inventory Days. Inventory days stood at 47 days in FY 23 (101 days in FY22). Debtor days stood at 94 days in FY2023 as against 191 days in FY 22.

Working capital limits are utilized at ~ 67 per cent during the last twelve months ended Sep 23.

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

All Covenants

None

Liquidity Position

Adequate

Company has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Company generated cash accruals of Rs. 4.52 crore for FY2023 as against obligations of Rs. 1.12 crore for the same period. Current Ratio stood at 3.86 times as on 31 March 2023 as against 4.23 times in the previous year. Working capital limits are utilized at ~ 67 per cent during the last twelve months ended Sep 23 leaving additional cushion in working capital limits to meet contingencies. Cash and Bank Balances of company stood at Rs 0.11 crore.

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

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	130.13	70.26
PAT	Rs. Cr.	2.98	1.27
PAT Margin	(%)	2.29	1.81
Total Debt/Tangible Net Worth	Times	0.14	0.35
PBDIT/Interest	Times	4.05	3.54

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

Not Applicable

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>
- Manufacturing Entities: <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

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
08 Sep 2022	Proposed Long Term Loan	Long Term	2.60	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	11.00	ACUITE BB- Stable (Reaffirmed)
	Buyers Credit	Short Term	3.00	ACUITE A4+ (Assigned)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Buyers Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4+ Reaffirmed
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE BB Stable Upgraded
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.56	ACUITE BB Stable Upgraded
Kotak Mahindra Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	2.04	ACUITE BB Stable Upgraded

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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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