



Press Release
RUNGTA IRRIGATION LIMITED
March 06, 2025
Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.60	ACUITE BB+ Stable Upgraded	-
Bank Loan Ratings	5.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	16.60	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITÉ BB+**' (read as **ACUITÉ Double B Plus**) from '**ACUITÉ BB**' (read as **ACUITÉ Double B**) and reaffirmed the short-term rating of '**ACUITÉ A4+**' (read as **ACUITÉ A Four plus**) on the Rs. 16.60 Cr. bank facilities of Rungta Irrigation Limited. The outlook is '**Stable**'.

Rationale for rating Upgrade

The rating upgrade factors in the steady improvement in business risk profile marked by improving operating income of FY24 along with stable EBIDTA and continued healthy financial risk profile marked by moderate net-worth, low gearing and healthy debt protection metrics. The rating also draws comfort from the company's experienced management with an established track record of operations and its reputed clientele. The rating is constrained by the improving albeit working capital intensive nature of the company's operation and presence in a highly competitive industry.

About the Company

Incorporated in the year 1993, Rungta Irrigation Limited (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 systems. The Company is also engaged in the manufacturing of MDPE, HDPE and PVC pipes and others. The company has two manufacturing plants located at Ghaziabad, Uttar Pradesh and the other at Yanam, Pondicherry.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations and experienced management

RIL was established in 1993 and subsequently listed on the Bombay Stock Exchange (BSE) in 1994. The company has been under the leadership of the Managing Director Mr. M. P. Rungta, who has been with RIL since its

inception and has nearly thirty years of industry experience. The Rungta Group, to which RIL belongs, has a diversified portfolio encompassing various sectors, including iron and steel, financial consulting, and real estate. Notable entities within the group include Ramgarh Sponge Iron Private Limited, Shriram Power and Steel Private Limited, and Gladiolus Finance Consultant Private Limited, among others. The extensive experience of the promoters has contributed significantly to RIL's ability to foster and maintain strong relationships with both customers and suppliers. The company serves a diverse customer base, comprising both government and private entities, which further enhances its market position and stability.

Improved Business Risk Profile

In FY24, RIL reported revenue of Rs. 148.77 Cr. in FY24, reflecting a 14.32% increase over revenue of Rs.130.13 Cr. in FY23, driven primarily by a robust order book generated from tender business with key clients such as IOCL and HPCL. The company's EBITDA margin improved slightly to 4.69% in FY24, up from 4.28% in FY23, while the PAT margin expanded to 3.80% in FY24 from 2.29% in FY23, because of the reduced material costs and increased interest income from a fully repaid unsecured loan provided to a trust. As on 9MFY25, the topline and EBITDA were at Rs. 154.86 Cr. and 5.59% respectively. As of January 2025, RIL's outstanding order book stands at Rs. 80 Cr., of which by Q4FY25, expected execution would be about Rs. 20 Cr., and the balance by September 2025. Given these positive dynamics, the company is likely to sustain its profitability margins over the medium term.

Improve Financial Risk Profile

RIL demonstrated a healthy financial risk profile, with a net worth of Rs. 86.56 Cr. in FY24 up from Rs. 76.61 Cr. in FY23. This improvement stems from an equity infusion by way of rights issue in FY22 of which Rs. 4.30 Cr. had been added during FY24 and balance through accretion to reserves. The company's total debt stands at Rs. 10.88 Cr. in FY24, slightly reduced from Rs. 11.09 Cr. in FY23, resulting in a low gearing ratio of 0.13 times in FY24 compared to 0.14 times in FY23. Additionally, RIL's interest coverage ratio improved significantly to 8.85 times in FY24 from 4.05 times in FY23, and its debt service coverage ratio rose to 3.86 times in FY24 from 2.16 times in FY23, attributable to low debt levels and consistent cash accruals. With a TOL/TNW ratio of 0.33 times in FY24 against 0.34 times in FY23, Acuité believes that RIL's financial risk profile will remain healthy in the medium term, supported by steady cash flows and no planned debt-funded capital expenditures in the medium term.

Weaknesses

Working Capital Intensive Operations

Despite a slight improvement, RIL has working capital intensive operations as reflected by Gross Current Assets (GCA) of 192 Days in FY24 vis-a-vis 202 days in FY23. The inventory day stood at 39 days in FY24 from 47 days in FY23 largely driven by a strategic shift to a make-to-order model for tender-based projects. However, debtor days increased to 111 days in FY24 from 94 Days in FY23 due to high year-end sales. Although creditor days rose to 16 days in FY24 from 12 days in FY23. Acuité anticipates that RIL's working capital cycle will continue to remain high on account of the nature of business.

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

Movement in the scale of operations
Movement in the profitability margins
Movement in the working capital cycle

Liquidity Position

Adequate

As of March 31, 2024, RIL demonstrated an adequate liquidity profile, generating net cash accruals of Rs. 7.65 crore against debt repayment obligations of Rs. 1.08 crore for the period. The company's current ratio improved to 2.86 times in FY24, up from 2.75 times in FY23, due to successful long-term debt repayment and an increase in trade receivables. Additionally, RIL maintained low average bank limit utilization at 39% over the six months ending January 2025. Acuité projects that RIL's liquidity is likely to remain adequate over the medium term, supported by consistent cash accruals, healthy current ratio and absence of debt funded capex plans.

Outlook : Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	148.77	130.13
PAT	Rs. Cr.	5.65	2.98
PAT Margin	(%)	3.80	2.29
Total Debt/Tangible Net Worth	Times	0.13	0.14
PBDIT/Interest	Times	8.85	4.05

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

Not applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.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
07 Dec 2023	Buyers Credit	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	0.56	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	2.04	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
08 Sep 2022	Buyers Credit	Short Term	3.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	11.00	ACUITE BB- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.60	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Kotak Mahindra Bank	Not avl. / Not appl.	Buyers Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A4+ Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	25 Jul 2020	Not avl. / Not appl.	25 Jun 2024	0.14	Simple	ACUITE BB+ Stable Upgraded (from ACUITE BB)
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	20 Feb 2024	Not avl. / Not appl.	20 Jan 2029	1.46	Simple	ACUITE BB+ Stable Upgraded (from ACUITE BB)

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About Acuité Ratings & Research

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