



**Press Release**  
**R G Industries**  
**September 30, 2024**  
**Rating Upgraded and Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB-   Stable   Upgraded	-
Bank Loan Ratings	8.00	Not Applicable   Withdrawn	-
Bank Loan Ratings	32.00	-	ACUITE A3   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	62.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	8.00	-	-

**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**) and the short term rating to '**ACUITE A3**' (read as **ACUITE A Three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 62.00 Cr. bank facilities of R G Industries. The outlook is '**Stable**'.

Further, Acuite has withdrawn its proposed long-term rating on the bank loan facilities of Rs.8.00 Cr. of R G Industries without assigning any rating as it is a proposed facility. The rating has been withdrawn supported by the request received from the issuer as per Acuite's policy on withdrawal of ratings as applicable to the respective facility / instrument.

**Rationale for upgrade**

The upgrade factors the improvement in the firm's scale of operations marked by an operating income of Rs.193.06 Cr. in FY2024 (Prov.) and PAT margin which stood at 5.21 percent FY2024 (Prov.) as against 2.40 percent in previous year. This increase in margin is on account of incremental income from other sources which majorly includes profit from joint ventures. The rating also positively factors in the experienced management in the manufacturing of CI and DI fittings and civil construction business, extensive experience of the partners leading to repeat orders. Additionally, the financial risk profile of the firm remained moderate marked by gearing which stood at 1.49 times as on March 31, 2024(Prov.), improved coverage indicators reflected by interest coverage ratio and debt service coverage ratio which stood at 3.44 times and 2.64 times respectively as on 31st March 2024 (Prov.) as against 2.07 times and 1.49 times in FY2023, adequate liquidity position marked by net cash accruals against the debt repayment obligations and healthy order book position with unexecuted orders in hand of Rs.969.67 crore along with works contracts of

Rs.344 crore under evaluation as on 18<sup>th</sup> July, 2024. In addition, the firm has manufacturing orders of Rs.123.62 crore in hand and the estimated delivery time period for the same falls under the range of 30 days to 45 days as it is received on demand basis. Further, the rating is constrained by risk related to tender based nature of business, volatility in raw material prices and intense competition in the civil construction industry.

### **About the Company**

Established in the year 1999, R G Industries is a Punjab based partnership firm. There are six partners out of which three partners of the firm- Mr. Arvinder Pal Singh, Mr. Varpreet Singh and Mr. Daljit Singh have been associated with the firm since its inception and have an

experience of more than two decades in the industry. The firm is engaged in the manufacturing of DI and CI fittings which are approved by major Government, Semi Government bodies and PSUs across India. The firm sells its product under the brand name of 'RG'. The firm is also engaged in executing different water supply and sewerage projects for different State Governments under the financial heads of Jal Jeevan Mission, AMRUT, Asian Development Bank, World Bank and Central Government. The firm also undertakes the projects under the joint ventures with profit sharing of 4:1. The partners are Mr. Arvinder Pal Singh, Mr. Varpreet Singh, Mr. Daljit Singh, Mr. Rajvir Singh, Mr. Jaskaran Singh and Mr. Kunwar Aviraj.

### **Unsupported Rating**

Not Applicable

### **Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of R G Industries to arrive at this rating.

### **Key Rating Drivers**

#### **Strengths**

##### **Established track record of operations and Experienced management**

Three out of the six partners have been associated with the firm since its inception in 1999 and has an experience of more than two decades in the industry. The extensive experience has helped the firm to maintain a healthy relationship with its stakeholders. The firm deals with both the government and private entities, and undertakes projects like water supply and sewerage projects. It supplies the DI and CI fittings both to the government and private entity. Acuité believes that the firm will benefit from the extensive experience of the partners, along with a healthy relationship with its customer and suppliers.

##### **Sound business risk profile supported by strong order book position**

The firm witnessed an improvement in its scale of operations marked by an operating income of Rs.193.06 Cr. in FY2024 (Prov.) as against Rs.180.66 Cr. in FY2023 on the back of the execution of orders. The EBITDA margin of the firm declined to 5.43 per cent in FY2024 (Prov.) from 6.07 per cent in FY2023 due to incremental other manufacturing operating expenses. However, the PAT margin of the firm improved and stood at 5.21 per cent in FY2024 (Prov.) as against 2.40 per cent in FY2023 on account of increase in income from other sources which majorly includes profit from joint ventures. Though the firm's profitability is exposed to volatility in raw material, it has an in-built price escalation clause for major raw materials in most of its contracts. Further, the stability in revenue is backed by an unexecuted healthy order book position to the tune of Rs.969.67 crore along with works contracts of Rs.344 crore under evaluation as on 18<sup>th</sup> July, 2024. The orders are primarily for different water supply and sewerage projects for different State Governments under the financial heads of Jal Jeevan Mission, AMRUT, Asian Development Bank, World Bank and Central Government. Further, the firm has order in hand of Rs.123.62 crore for manufacturing of which estimated delivery time period fall under the range of 30 days to 45 days as it is received on demand basis. Acuité believes that the firm will continue to sustain its order book position and maintain its business risk profile over the medium term.

#### **Weaknesses**

##### **Competitive and Fragmented industry**

The firm faces intense competition in the sector amongst the several mid to big sized players, which can impact its profitability and operations further. The risk become more pronounced as tendering is based on the minimum amount of bidding of the contracts. However, this risk is mitigated to an extent considering the extensive experience of the partners.

##### **Intensive Working Capital Operations**

The working capital operations of the firm is intensive marked by GCA days which stood at 275 days as on 31<sup>st</sup> March 2024 (Prov.) as against 231 days as on 31<sup>st</sup> March 2023. The debtor

days of the firm stood at 136 days as on 31st March 2024 (Prov.) against 142 days as on 31st March 2023. Further, the inventory holding increased and stood at 92 days as on 31<sup>st</sup> March 2024 (Prov.) as against 50 days as on 31<sup>st</sup> March 2023 due to increase in inventory for works contracts as well as work-in-progress. In addition, the average fund based bank limit utilization of the firm stood at 83.52% approximately in last twelve months ended March 2024. The EPC business retains a naturally elevated working capital intensity, attributed to prolonged project execution timelines, payments tied to project milestones, and the release of retention money. The firm focuses on easy mobilisation of its resources, thereby improving the turnaround time and reducing the idleness of machinery and equipment. Acuité believes that the working capital operations of the firm will remain at similar levels over the medium term.

### **Moderate Financial Risk Profile**

The financial risk profile of the firm is moderate marked by net-worth of Rs.36.70 Crore as on 31st March 2024 (Prov.) against Rs.28.91 Crore as on 31st March 2023. Further, the total debt of the firm stood at Rs.54.84 Crore as on 31st March 2024 (Prov.) against Rs.29.67 Crore as on 31st March 2023. The capital structure of the firm is moderate marked by gearing ratio of the firm which stood at 1.49 times as on 31st March 2024 (Prov.) against 1.03 times as on 31st March 2023. Further, the coverage indicators of the firm improved reflected by interest coverage ratio and debt service coverage ratio of the firm, which stood at 3.44 times and 2.64 times as on 31st March 2024 (Prov.) against 2.07 times and 1.49 times respectively as on 31st March 2023. The TOL/TNW ratio of the firm stood at 3.75 times as on 31st March 2024 (Prov.) against 3.54 times as on 31st March 2023 and DEBT-EBITDA of the firm stood at 3.22 times as on 31st March 2024 (Prov.) against 2.58 times as on 31st March 2023. Acuité believes that going forward the financial risk profile of the firm will remain moderate with no major debt funded capex plans.

### **Rating Sensitivities**

- Sustainability in their growth in scale of operations while improving profitability margins.
- Timely execution of projects in hand.
- Further elongation in working capital cycle.

### **Liquidity Position Adequate**

The liquidity profile of the firm is adequate. The firm generated net cash accruals of Rs.12.07 Crore as on 31<sup>st</sup> March 2024 (Prov.) as compared to Rs.5.96 Cr. in FY23. Going forward, the firm is expected to generate net cash accruals under the same range against the debt repayment obligations up to Rs.1.50 Crore over the same period. The current ratio of the firm stood at 1.25 times as on 31st March 2024 (Prov.) against 1.32 times as on 31st March 2023. The cash and bank balance available with the firm stood at Rs.8.25 Crore as on 31st March 2024 (Prov.). Acuité believes that going forward the firm will maintain adequate liquidity position due to steady accruals.

### **Outlook: Stable**

Acuité believes that RGI will maintain a stable outlook over the medium term backed by its experienced management and established track record of operation in the industry. The outlook may be revised to 'Positive' if the firm demonstrates substantial and sustained growth in its revenues and operating margins from the current levels along with efficient working capital management. Conversely, the outlook may be revised to 'Negative' if the firm faces stretched working capital cycle or fall in revenue or deterioration in the financial risk profile.

### **Other Factors affecting Rating None**

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	193.06	180.66
PAT	Rs. Cr.	10.06	4.34
PAT Margin	(%)	5.21	2.40
Total Debt/Tangible Net Worth	Times	1.49	1.03
PBDIT/Interest	Times	3.44	2.07

### 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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Aug 2024	Secured Overdraft	Long Term	25.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB-   Stable)
	Bank Guarantee/Letter of Guarantee	Short Term	42.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
12 May 2023	Secured Overdraft	Long Term	5.00	ACUITE BBB-   Stable (Reaffirmed)
	Secured Overdraft	Long Term	20.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	32.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
18 Feb 2022	Secured Overdraft	Long Term	5.00	ACUITE BBB-   Stable (Reaffirmed)
	Secured Overdraft	Long Term	20.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	32.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Assigned)
06 Jan 2022	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Secured Overdraft	Long Term	5.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Karnataka Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	27.00	ACUITE A3   Upgraded ( from ACUITE A4+ )
Karnataka Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A3   Upgraded ( from ACUITE A4+ )
Karnataka Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A3   Upgraded ( from ACUITE A4+ )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	Not Applicable   Withdrawn
Axis Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )
Karnataka Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB-   Stable   Upgraded ( from ACUITE BB+ )



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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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