Press Release
RUNGTA INDUSTRIES PRIVATE LIMITED
April 21, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.50	ACUITE BB | Stable | Assigned	-
Total Outstanding Quantum (Rs. Cr)	35.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of **"ACUITE BB" (read as ACUITE double B**o**)** n the Rs. 35.50 Cr. bank facilities of Rungta Industries Private Limited (RIPL). The outlook is '**Stable.**'

Rationale for rating
The rating assigned takes into account the improved revenue in FY2025 backed by volume growth and better per unit realizations. However, the operating margins of the company continue to remain thin due to volatility in the raw material prices and inability of the company to completely pass-through such volatilities. Further, the rating draws comfort from the extensive experience of promoters in the business and moderate financial risk profile. The rating is, however constrained on account of intensive working capital operations of RIPL coupled with inherent challenges in solvent extraction business.

About the Company

Incorporated in 1992, Rungta Industries Private Limited (RIPL) is engaged in solvent extraction business with the operations commencement from 2005. The company is involved in manufacturing of rice bran oil and de-oiled rice bran holds a capacity of 350 MTPD. The manufacturing facility of the company is located in Gorakhpur, Uttar Pradesh. Mr. Rajesh Kumar Rungta and Ms. Renu Rungta are the present directors of the company.

Unsupported Rating
Not Applicable

Analytical Approach

Acuité has considered the standalone financial and business risk profile of RIPL to arrive at this rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management
RIPL has an operational track record of around two decades in the solvent extraction business. The company was established by Mr. Rajesh Rungta and Mrs. Renuka Rungta in 1992 with operations commencing from 2005 onwards and is currently managed by the second generation of the family. The extensive experience of the management has helped the company in establishing long standing relationships with its customers and suppliers. Acuite believes that RIPL will continue to benefit from its experienced management and established operations.

Modest scale of operations
During the Russia – Ukraine war, the prices of edible oil had increased significantly which led to boost in the revenue of the company in FY2023 to Rs 192.92 Cr. However, with price corrections and volume de-growth due to inadequacy of raw material, the company generated a lower revenue of Rs. 145.26 Cr. in FY2024. For FY2025,

the company is estimated to have generated revenue of Rs. 159.24 Cr. backed by volume growth and improving realisations. Further, the increasing price of raw material and inability to completely pass it through to customers

led to thinning in operating margins from 5.35 percent in FY2022 to 1.90 percent in FY2023. Moreover, while the raw material price remained elevated in FY2024, the operating margin stood marginally improved to 1.97 percent in FY2024 due to efficiency of operations. The PAT margin stood at 0.91 percent in FY2024 as against 1.09 percent in FY2023 due to increased finance costs.
Going forward, growth in scale of operations and profitability will be a key rating sensitivity.

Moderate financial risk profile
The financial risk profile of the company is defined by moderate networth, low gearing and comfortable debt protection metrics. The networth stood at Rs. 30.62 Cr. on March 31, 2024 as against Rs. 29.30 Cr. on March 31, 2023. The gearing stood below unity at 0.64 times on March 31, 2024 as against 0.51 times on March 31, 2023. TOL/TNW levels stood at 0.75 times on March 31, 2024 as against 0.64 times on March 31, 2023. The Debt/EBITDA stood significantly increased at 6.62 times on March 31, 2024 as against 4.01 times on March 31, 2023 due to decline in the EBITDA levels of the company.The coverage indicators though declined, stood comfortable with Interest coverage ratio (ICR) at 5.02 times and debt service coverage ratio (DSCR) at 4.15 times in FY2024.
While the financial risk profile in FY2025 is estimated to have remained at similar levels of FY2024, the company is planning for capex in the FY2026 for the purpose of building a warehouse facility at an estimated cost of Rs. 19.70 Cr. funded by long term debt of Rs. 10.50 Cr. which is expected to moderate the financial risk profile over the near term.

Weaknesses

Working Capital Intensive Operations
The working capital intensive operations of the company are marked by high gross current asset (GCA) days of 105 days on March 31, 2024 as against 78 days on March 31, 2023. This increase in GCA days is attributable to the increased inventory days that stood at 62 days and debtor days that stood at 39 days on March 31, 2024 as against 47 days and 20 days respectively on March 31, 2023. The increase in the inventory days is due to stocking up of rice bran as procurement season is majorly between October to May. Moreover, the creditor days remained low at 2 days over the years. The average bank limit utilization stood at 31.41 percent for last six months ended February 28, 2025.
Going forward, the ability of the company to restrict further elongation in the working capital cycle will be a key rating sensitivity.

Inherent challenges of solvent extraction industry
The solvent extraction industry faces various challenges such as availability of adequate and quality raw material, volatility in realization prices and fluctuating demand. Rice bran is the major raw material for rice bran oil and de-oiled rice bran cakes. The availability of rice bran is affected by several factors such as rice production, climatic conditions, government policies, etc. The quality of rice bran also plays a major role in the extraction process, as low quality of rice bran may affect the output quantity. Further, the demand and price for rice bran oil is sensitive to alternate edible oil prices and the prices of oil seeds. The prices of edible oil is also influenced by other factors such as government policies, climatic conditions, oil seed availability, global demand, etc.

Rating Sensitivities

- Growth in scale of operations and profitability margins
- Restriction of further elongation of in the working capital cycle
- Significant deterioration in financial risk profile leading to a stretch in the liquidity position.

Liquidity Position
Adequate

The adequate liquidity position of the company is supported by generation of sufficient net cash accruals (NCAs) of Rs. 1.84 Cr. against no repayment obligations as the company does not have any long-term debt. The NCAs are expected to remain the range of Rs. 2.4 - 2.9 Cr. in FY2026 and FY2027. The current ratio stood at 1.92 times on March 31, 2024 as against 2.27 times on March 31, 2023. The company has an unencumbered cash and bank balance of Rs. 0.19 Cr. on March 31, 2024. The average bank limit utilization stood at 31.41 percent for last six months ended February 2025.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	145.26	192.92
PAT	Rs. Cr.	1.32	2.10
PAT Margin	(%)	0.91	1.09
Total Debt/Tangible Net Worth	Times	0.64	0.51
PBDIT/Interest	Times	5.02	12.33

Status of non-cooperation with previous CRA (if applicable)
None

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, 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 :
Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BB | Stable | Assigned
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.50	Simple	ACUITE BB | Stable | Assigned

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