



Press Release

Rahul International Private Limited

October 25, 2018

Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 34.80 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) to the Rs. 26.00 crore bank facilities of RAHUL INTERNATIONAL PRIVATE LIMITED (RIPL). The outlook is '**Stable**'.

Acuité has assigned long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) to the Rs. 8.80 crore bank facilities of RAHUL INTERNATIONAL PRIVATE LIMITED (RIPL). The outlook is '**Stable**'.

The Rajasthan-based, RIPL was incorporated in 2008 and is promoted by Mr. Rahul Agarwal and Mr. Rajeev Agarwal. The company started its operations in 2016 and is engaged in manufacturing and processing of Barley to prepare Malt. RIPL undertakes job work activity for United Breweries Limited (UBL). The company has its manufacturing unit located at Mandain Jaipur with an installed capacity of 48000 MTPA.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

RIPL was incorporated in 2008 and has its presence in agri-processing industry for nearly a decade. Earlier, RIPL had its operations under the name Shree Rahul Malt Private Limited. Mr. Rahul Agarwal possesses experience of more than a decade. The company has been doing job work for reputed clients such as United Breweries Limited which is the largest consumer of Barley Malt in India. United Breweries Limited sells beer under the flagship brand 'Kingfisher'.

Acuité believes that the company will benefit from its experienced management which helps the company maintain long standing relations with its customers.

- **Improving revenue and profitability margins despite nascent stage of operations**

The company has showed improvement in revenue marked by operating income of Rs.20.66 crore in FY2018 as against Rs.9.32 crore in FY2017. The company has booked revenue of Rs.10.87 crore for the period April to September, 2018. Further, the company's operating margins have shown an improving trend of 54.65 percent in FY2018 as against 48.59 percent in FY2017. The firm reported Profit after Tax (PAT) margin of negative 19.60 percent in FY2018 against negative 137.74 percent in FY2017. However, the company is in the nascent stage of operations. The fully-fledged commercial production for RIPL started in FY2016 with an installed capacity of 48000 MTPA.

Going forward, Acuité believes that the company will continue to effectively manage its profitability coupled with improving revenue in order to maintain a stable credit profile.

Weaknesses

- **Above average financial risk profile**

The financial risk profile is above average marked by tangible net worth of Rs.7.62 crore as on 31 March, 2018 (Provisional) as against Rs.4.27 crore in the previous year. The networth includes unsecured loans of Rs.6.00 crore as on 31 March, 2018 which are subordinated to bank debt. Hence, Acuité has considered them as quasi equity. The gearing stood high at 5.23 times on 31 March, 2018 (Provisional) as against 12.04 times in the previous year. The total debt of Rs. 39.82 crore includes term loan from bank of Rs. 25.74 crore and interest bearing unsecured loan of Rs. 14.08 crore. Interest Coverage Ratio (ICR) stood at 1.65 times for FY2018 (Provisional) as against 0.60 times in FY2017. The total outside liabilities to tangible networth (TOL/TNW) stood low at 5.39 times as on 31 March, 2018 (Provisional) as against 12.53 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.11 times in FY2018 (Provisional) compared to negative 0.05 times in FY2017.

Going forward, Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

- **Counter party default risk**

RIPL undertakes 100 percent job work activity for United Breweries Limited (Kingfisher). Any downfall in the industry of its principal customer can significantly affect the performance of RIPL. Further, 100 percent customer concentration can lead to high chances of counter party default risk.

Outlook: Stable

Acuité believes that RIPL's outlook will remain 'Stable' and the company will benefit over the medium term from its experienced management and improvement in revenue and profitability margins. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving its financial risk profile and working capital operations. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)
Operating Income	Rs. Cr.	20.66	9.32
EBITDA	Rs. Cr.	11.29	4.53
PAT	Rs. Cr.	-4.05	-12.84
EBITDA Margin	(%)	54.65	48.59
PAT Margin	(%)	-19.60	-137.74
ROCE	(%)	5.51	-10.79
Total Debt/Tangible Net Worth	Times	5.23	12.04
PBDIT/Interest	Times	1.65	0.60
Total Debt/PBDIT	Times	3.53	11.32
Gross Current Assets (Days)	Days	52	112

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition -<https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities -<https://www.acuite.in/view-rating-criteria-4.htm>

- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Sep-2017	Term Loans	Long Term	34.80	ACUITE B- (Indicative)
12-Jul-2016	Term Loans	Long Term	34.80	ACUITE B/Stable (Assigned)
21-Apr-2016	Term Loans	Long Term	31.00	ACUITE B/Stable (Suspended)
29-Jan-2015	Term Loans	Long Term	31.00	ACUITE B/Stable (Reaffirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE B- / Stable (Reaffirmed)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	8.80	ACUITE B- / Stable (Assigned)

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About Acuité Ratings & Research:

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