



## Press Release

### Rudra Aerospace & Defence Private Limited

May 21, 2020

#### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned	Rating Action
1	Long-Term Bank Facility-Term Loan (Proposed)	10.00	Provisional IVR BBB- [CE]*/Stable Outlook (provisional IVR Triple B Minus [Credit Enhancement] with Stable Outlook)	Assigned
2.	Long-Term Bank Facility-Cash Credit (Proposed)	5.00	Provisional IVR BBB- [CE]*/Stable Outlook (Provisional IVR Triple B Minus [Credit Enhancement] with Stable Outlook)	Assigned
	<b>Total</b>	<b>15.00</b>		

*\*Based on provisional unconditional and irrevocable corporate guarantee from Rudra Global Infra Products Limited (RGIPL)*

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Rudra Aerospace & Defence Private Limited (RADPL) derives comfort from its experienced promoters and proposed corporate guarantee from Rudra Global Infra Products Limited (RGIPL). This proposed corporate guarantee results in credit enhancement in the rating of the said bank facilities to **Provisional IVR BBB- (CE)/Stable Outlook (IVR Triple B Minus [Credit Enhancement] with Stable Outlook)** against the unsupported rating of **IVR BB/Stable (IVR Double B with Stable Outlook)**. Further, the ratings also derive strength from its locational advantage and association of reputed consultants to guide the project implementation. However, these rating strengths are constrained due to pending financial closure, project execution risk and Deterioration in the financial performance of the proposed guarantor, RGIPL during 9MFY20.

#### Key Rating Sensitivities

##### Upward factors

- Timely completion of the project and earning as envisaged
- Continuance of Support from the corporate guarantor and the promoters

##### Downward factors

- Cost overrun or delay in completion of projects



## Press Release

- Failure to achieve financial closure
- Deterioration in the credit profile of the guarantor

### **List of Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

##### **Experienced promoters**

The company is promoted by Mr. Ashok Kumar Gupta and his son Mr. Nikhil Gupta. Mr. Ashok Kumar Gupta has prior experience of more than 25 years of experience in the Steel sector through their association with other Group companies. His son Mr. Nikhil Gupta has been associated with the company since inception and looks after the overall operations of the company. The promoters are supported by qualified and experienced professionals in managing the day to day affairs of the company.

##### **Locational advantage**

The proposed manufacturing facility of RADPL is being set up at Bhavnagar, Gujrat. The land is adequate to house both the process of shell moulding and investment casting. The location is ideal since all the infrastructure facilities have been developed in the surrounding area like power, manpower, logistics, availability of raw materials, etc. Further, being close to the neighbouring cities of Rajkot and Ahmedabad, there will be easy access to larger market.

##### **Association of reputed project consultants to guide the project implementation**

To guide the project implementation in an effective manner, the company has appointed experienced, reputed and well-known consultants & design companies to guide the project implementation.

##### **Proposed corporate guarantee from RGIPL**

RGIPL has proposed to extend corporate guarantee for the bank facilities proposed to be taken by RADPL. RGIPL is the flagship company of the group and is engaged in the manufacturing of MS Billets and TMT Bars with an annual installed capacity of 2,40,000 MTPA for billets and 1,20,000 MTPA for TMT at the same location since 2010 and has an established presence in the state of Gujrat. Going forward, Infomerics believes timely, need based financial support will also be extended by the corporate guarantor, in case of pressure on cash flows.



## Press Release

### **Key Weaknesses**

#### **Financial closure yet to be achieved**

The project is under implementation stage. The term debts are yet to be tied up indicating high funding risk for the project. The management is still in negotiation with various bankers for sanction of term loan. The promoters have already infused Rs.2.53 crore in the form of equity and unsecured loans for the project till March 31, 2020. Also, on account of the current COVID-19 situation, the project is on hold and the development will start at full pace once the lockdown ends and the situation normalises. The long implementation period makes the company susceptible to time and cost overruns.

#### **Project execution risk**

The project has significant implementation risk, as of now, due to its current nascent stage of project execution. Given the targeted timeline for commencement of operation, the project is exposed to the risk of time overrun and consequential cost overrun.

#### **Deterioration in the financial performance of the guarantor, RGIPL during 9MFY20**

RGIPL's total operating income witnessed a y-o-y growth of ~44% in FY19 driven by increase in volume sale as well as average sales realisation of billets and TMT bars. Despite increase in total operating income, the EBITDA margin of the company dampened from 7.65% in FY18 to 5.78% in FY19. However, the company has earned healthy gross cash accruals of Rs.20.74 crore in FY19 (Rs.17.46 crore in FY18). During 9MFY20, the company earned a total operating income of Rs.290.89 crore with a PAT of Rs.1.64 crore as against total operating income of Rs.447.03 crore and PAT of Rs.9.28 crore in 9MFY19. The moderation in its total operating income was due to subdued market demand in FY20 leading to decline in volume sales coupled with adverse movement in realisations. Further, there was a steady increase in interest cost during the aforesaid period owing to rise in its short-term borrowings which also affected the profitability. Infomerics expects moderation in RGIPL's total operating income and profit levels in FY20. With moderation in profit level, the debt protection metrics also witnessed impairment marked by deterioration in interest coverage from 4.70x in FY19 to 1.66x in 9MFY20.



## Press Release

### **Analytical Approach:**

**Credit Enhancement (CE) rating:** Assessment of the credit profile of RGIPL, provider of corporate guarantee to RADPL.

**Unsupported rating:** Standalone

### **Applicable Criteria**

Rating Methodology for Manufacturing Companies

Rating Methodology for Structure Debt Transaction (Non-Securitisation Transaction)

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity: Adequate**

The project is in its implementation stage and is expected to commence operations from April, 2021 onwards. The financial closure is yet to be achieved. However, the liquidity of the company is expected to remain adequate backed by support from the corporate guarantor, Rudra Global Infra Products Limited in the near to medium term.

### **About the Company**

Incorporated in November, 2017, Rudra Aerospace & Defence Private Limited (RADPL) is a part of the Bhavnagar, Gujrat based M.D Group and was formed with the objective to set up a project for shell moulding and investment precision casting for production of various precision parts used in aerospace, automobile, medical instruments, automotive and transport, ceramics, construction, energy and environment, refractory and material handling equipment. The company has already earmarked land for the proposed plant at Village Ghanghali, Sihor, District, Bhavnagar, Gujrat and has proposed installed capacity of 100 tons per month of shell moulding and 50 tons per month of investment casting. The total estimated cost of the project is Rs.23.02 crore which will be funded through a debt equity ratio of 0.48x. The tentative COD for the project is April, 2021.

**Financials:** Since RADPL has no operations and is in project stage with operations to start from April 2021 tentatively, the past financial numbers are not meaningful.



## Press Release

Financials of the Corporate Guarantor Rudra Global Infra Products Limited  
(Standalone)

(Rs. Crore)

For the year ended* / As On	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	386.60	557.25
EBITDA	29.57	32.20
PAT	11.28	15.75
Total Debt	52.08	73.71
Tangible Net worth	64.38	80.15
EBITDA Margin (%)	7.65	5.78
PAT Margin (%)	2.91	2.80
Overall Gearing Ratio (x)	0.81	0.74

\*As per Infomerics' Standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2019-18	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan (Proposed)	Long Term	10.00	Provisional IVR BBB-(CE)/Stable	-	-	-
2.	Cash Credit (Proposed)	Long Term	5.00	Provisional IVR BBB-(CE)/Stable	-	-	-

\*Based on provisional unconditional and irrevocable corporate guarantee from Rudra Global Infra Products Limited

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

**Name and Contact Details of the Rating Analyst:**

Name: Ms. Harshita Didwania Tel: (033) 46022266 Email: <a href="mailto:hdidwania@infomerics.com">hdidwania@infomerics.com</a>	Name: Mr. Avik Podder Tel: (033) 46022266 Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a>
-------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------



## Press Release

### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan (Proposed)	-	-	-	10.00	Provisional IVR BBB- (CE)*/Stable
Cash Credit (Proposed)	-	-	-	5.00	Provisional IVR BBB- (CE)*/Stable

*\*Based on provisional unconditional and irrevocable corporate guarantee from Rudra Global Infra Products Limited*