



## Press Release

### Rudra Global Infra Products Limited

December 31, 2021

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	119.21	IVR BB+/Positive (IVR Double BB Plus with Positive Outlook)	Rating removed from 'Issuer Not Cooperating' category and revised from IVR BB (Double B)
<b>Total</b>	<b>119.21</b>		

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

Earlier Infomerics had moved the ratings of Rudra Global Infra Products Limited (RGIPL) into Issuer Not Cooperating category vide its press release dated May 06,2021 due to non-submission of information required for detailed review by the company. However, the company has started cooperating and submitted required information. Consequently, Infomerics has removed the rating from 'ISSUER NOT COOPERATING' category and revised the rating.

The ratings assigned to the bank facilities of RGIPL derive comfort from its experienced promoters and established brand with strong distribution network. The ratings also factor in the company's satisfactory capital structure and satisfactory performance in H1FY22. These rating strengths are however partially offset by deterioration in the company's scale of operations and operating profitability, working capital-intensive nature of its operations, susceptibility of profitability to volatility in raw material prices, exposure to cyclicity associated with the steel industry and exposure towards group companies. The outlook is positive on account of the expected improvement in the financial performance of the company in the near term.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial and sustained growth in operating income and operating profitability



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- Improvement in debt protection metrics with improvement in interest coverage to over 2.00x
- Improvement in operating cycle leading to improvement in liquidity

### **Downward Factors**

- Further moderation in operating income and/or deterioration in operating profitability
- Large debt funded capital expenditure leading to deterioration in capital structure
- Further elongation of the working capital cycle affecting liquidity

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters**

RGIPL is promoted by Mr. Ashok Kumar Gupta who has over 30 years of experience in the steel sector and has been instrumental in setting up the manufacturing facility at Bhavnagar. His son Late Mr. Nikhil Gupta had been associated with the company since inception, however after his demise, Mr. Sahil Gupta took over as the Managing Director of the Company in June 2021. Mr. Sahil Gupta has over 8 years of experience in the steel sector and looks after the overall operations of the company. The promoters are supported by a qualified and experienced management team, in managing the day-to-day affairs of the company.

##### **Established brand with strong distribution network**

RGIPL has been operational in the steel industry for over a decade and has established healthy relationships with both customers and suppliers. The Company procures MS Scrap, its primary raw material from various traders and ship breakers in Gujrat and has built a strong network of dealers and distributors in the state for sale of TMT Bars and Billets. The company markets its products under the brand "Rudra TMX".

##### **Satisfactory capital structure**

RGIPL has a satisfactory capital structure marked by long term debt to equity and overall gearing of 0.38x and 1.07x respectively as on March 31, 2021. Total indebtedness of the Company as reflected in TOL/ANW was also moderate at 1.76x. To arrive at the net worth,



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Infomerics has considered unsecured loans amounting to Rs.15 crore as quasi equity as the same is subordinated to the bank facilities.

### **Key Rating Weaknesses**

#### **Deterioration in scale of operations and operating profitability in FY21 albeit improvement in H1FY22**

RGIPL registered a sustained decline in operating income in the three years through FY21 to Rs.237.81crore (FY20: 361.01 crore; FY19: Rs.557.25crore). In FY20, the operating income witnessed moderation on the back of lower volume sales due to subdued market demand coupled with adverse movement in realisations. In FY21, the operating income deteriorated further due to further decline in sales volume of TMT bars and Billets as the manufacturing facilities remained shut from March 23, 2020 to June, 2020 because of Covid-19 led nationwide lockdown and thereafter operations resumed from July 2020 in a staggered manner. Fuelled by the decline in operating income amidst continued burden of overhead costs such as power & fuel, employee expenses and increased finance costs, the Company reported net as well as cash loss in FY21. With negative operating profitability, the debt protection metrics also witnessed impairment marked by negative interest coverage in FY21. However, the company has seen turnaround in H1FY22 backed by uptrend in steel prices after H1FY21. During H1FY22, the company has earned a PAT of Rs.4 crore on a revenue of Rs.149.71 crore.

#### **Working capital intensive nature of operations**

The operations of the company are working capital intensive marked by elongated operating cycle and high average utilisation in its working capital bank limits at ~99% in the past 12 months ending October 2021. The operating cycle of RGIPL elongated to 238 days in FY21 from 118 days in FY20 on the back of stretch in receivables and high inventory held by the company. On account of the ongoing pandemic, there was delay in payment from customers as reflected in receivables of 88 days as on March 31, 2021 (FY20:35 days). Also, the inventory days stretched to 242 days as on March 31, 2021 as against 145 days on the previous account closing date.

#### **Susceptibility of profitability to volatility in raw material prices**



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The degree of backward integration defines the ability of the company to withstand cyclical downturns generally witnessed in the steel industry. Major raw material required for the company is MS scrap which it procures from traders and ship breakers in Gujrat. Raw-material cost accounted over ~75% of net sales in the last three fiscals. Since raw material is the major cost driver, the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw-material prices. Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.

### **Exposure to cyclicity associated with the steel industry**

The domestic steel industry is cyclical in nature which is likely to impact the cash flows of the steel players, including RGIPL. The steel industry is cyclical in nature and has witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. The company's operations are thus vulnerable to any adverse change in the demand-supply dynamics.

### **Exposure towards group companies**

The bank facilities of group company, Rudra Green Ship Recycling Private Limited (RGSRPL) are backed by a corporate guarantee from RGIPL. Hence, the credit risk profile of RGIPL is exposed to the performance of RGSRPL.

### **Analytical Approach: Standalone**

#### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

#### **Liquidity – Adequate**

The liquidity position of the company is expected to remain adequate on account of its adequate expected accruals as against repayment obligations over the medium term. However, RGIPL's operations are working capital intensive as reflected in high utilization of its fund based working capital limits for the past twelve months through October 2021 at



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~99%. RGIPL also availed of Covid limits from the lender to mitigate its short-term liquidity requirements.

### About the Company

Rudra Global Infra Products Limited (RGIPL), formerly known as MD Inducto Cast Limited, was incorporated in 2010 in Bhavnagar, Gujrat. The company is engaged in manufacturing of billets and TMT Bars and has an installed capacity of 2,40,000 MTPA for billets and 1,20,000 MTPA for TMT bars. The company sells its products under the brand name, 'Rudra TMX' and mostly operates in the state of Gujarat through its network of dealers and distributors. The company is listed on BSE.

### Financials (Standalone):

For the year ended / As on*	(Rs. crore)	
	31-3-2020	31-3-2021
	Audited	Audited
Total Operating Income	361.01	237.81
EBITDA	21.52	-6.84
PAT	0.24	-30.40
Total Debt	103.43	161.25
Tangible Net worth	100.39	70.02
EBITDA Margin (%)	5.96	-2.88
PAT Margin (%)	0.07	-12.64
Overall gearing	1.10	1.07

\*Classification as per Infomerics Standards

**Status of non-cooperation with previous CRA:** CRISIL has maintained the company in "Issuer not Cooperating" category due to non-availability of information via PR dated March 31, 2021.

**Any other information: NA**

### Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	
1.	Cash Credit	Long term	80.00	IVR BB+/Positive	IVR BB (ISSUER)	--	IVR BBB-/ Stable	IVR BBB/	IVR BBB/ Stable



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				(IVR Double B Plus with Positive Outlook)	NOT COOPERATING ) (May 06, 2021)		Outlook (IVR Triple B Minus with Stable Outlook) (March 04, 2020)	Stable Outlook (IVR Triple B with Stable Outlook) (March 18, 2019)	Outlook (IVR Triple B with Stable Outlook) (February 12, 2019)
2.	Term Loan	Long term	3.20 (reduced from Rs.48.42 crore)	IVR BB+/Positive (IVR Double B Plus with Positive Outlook)	IVR BB (ISSUER NOT COOPERATING ) (May 06, 2021)	--	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook) (March 04, 2020)	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook) (March 18, 2019)	--
3.	Covid Loans (GECL/CECF)	Long Term	18.01	IVR BB+/Positive (IVR Double B Plus with Positive Outlook)	--	--	--	--	--
3.	Bank Guarantee	Long Term	18.00	IVR BB+/Positive (IVR Double B Plus with Positive Outlook)	IVR BB (ISSUER NOT COOPERATING ) (May 06, 2021)	--	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook) (March 04, 2020)	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook) (March 18, 2019)	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook) (February 12, 2019)

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### 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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	80.00*	IVR BB+/Positive
Term Loan	-	-	Up to June 2023	3.20	IVR BB+/Positive
Covid Limits (GECL/CECF)	-	-	Up to 2025	18.01	IVR BB+/Positive
Bank Guarantee	-	-	-	18.00	IVR BB+/Positive

\*Includes sub-limit of Letter of credit of Rs.67crore

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/rudra-global-lenders-dec21.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable



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**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Annexure 5: Complexity level of the rated Instruments/Facilities**

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	Term Loan	Simple
3.	Covid Limits (GECL/CECF)	Simple
4.	Bank Guarantee	Simple

**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).

