



Press Release

Rudra Global Infra Products Limited

October 12, 2022

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	124.89	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Revised from IVR BB+/Positive (IVR double B plus with Positive outlook)	Simple
Total	124.89 (INR One hundred twenty four crore and eighty nine lacs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating assigned to the bank facilities of Rudra Global Infra Products Limited (RGIPL) factors in the improvement in the topline along with the improvement in profitability metrics during FY2022 and Q1FY23. Further the ratings continue to derive comfort from its experienced promoters and established brand with strong distribution network. However, these rating strengths continues to remain constrained due to working capital-intensive nature of its operations, susceptibility of profitability to volatility in raw material prices, exposure to cyclical nature associated with the steel industry and exposure towards group company.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and in profitability
- Improvement in capital structure with improvement in overall gearing to below 1x and/or improvement in debt protection metrics with improvement in interest coverage to over 2.5x
- Improvement in operating cycle leading to improvement in liquidity

Downward Factors



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- Moderation in operating income and/or deterioration in operating profitability leading to moderation in gross cash accruals.
- Any unplanned large debt funded capital expenditure and/or withdrawal of subordinated unsecured loans leading to moderation in capital structure with moderation in overall gearing to over 2x and/or moderation in debt protection metrics with deterioration in interest coverage ratio to below 1.5x
- Further elongation of the working capital cycle affecting liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Improvement in the topline along with profits during FY2022 and Q1FY23**

The total operating income (TOI) of the company registered y-o-y growth of ~47% and improved to Rs. 350.64 crore in FY22 from Rs. 237.81 crore in FY21. Further, the topline improved to Rs.96.52 crore in Q1FY23 from Rs.58.27 crore in Q1FY22 with a y-o-y growth of ~66% and on account of healthy demand for TMT bar with rise in the demand from construction and infrastructure sector after the relaxation of the Covid 19 restrictions. With the rise in TOI, EBIDTA improved significantly to Rs. 29.85 crore in FY22 from operating loss of Rs. 6.84 crore in FY21 on the back of reduction in the overhead expenses and positive movement in the closing stock prices. Furthermore, EBIDTA improved to Rs.8.89 crore in Q1FY23 from of Rs. 7.87 crore in Q1FY22 on the back of reduction in the overhead expenses and positive movement in the closing stock prices.

In FY22, EBIDTA and PAT margin improved to 8.51% and 2.41% as against operating and net loss in FY21. EBIDTA margin though declined to 9.21% in Q1FY23 from 13.51% in Q1FY22 remained more than FY22 figures. On the other hand, PAT margin improved marginally to 3.98% in Q1FY23 from 3.26% in Q1FY22 due to reduction in interest expenses with the reduction in SIDBI loans.

- **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,



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however after his demise Mr. Sahil Gupta took over as the Managing Director of the Company in June 2021. Mr. Sahil Gupta has over fight 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”.

- **Improvement in leverage ratios coupled with improvement in debt protection metrics**

The capital structure of the company though continued to remain moderate with Overall Gearing and Long-Term Debt to Equity at 1.29x and 0.41x respectively as on March 31, 2022 (considering the loan from friends and relatives aggregating to Rs.15.00 crore as quasi equity) improved from 1.90x and 0.53x respectively as on March 31, 2021 with reduction in term loan and accretion of profit to the net worth. Total indebtedness of the company also improved to 2.51x as on March 31, 2022, from 2.86x as on March 31, 2021 on the back of improvement in profitability.

The debt protection metrics of the company remained satisfactory with improvement in interest coverage ratio to 1.82x in FY22. The interest coverage further improved to 2.04x in Q1FY23 from 1.85x in Q1FY22 and the 1.82x in the reported number in FY22.

Key Rating Weaknesses

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

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



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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 company in the form of corporate guarantee**

The bank facilities of 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.

- **Working capital intensive nature of operations**

The operations of the company are working capital intensive as reflected by the elongated operating cycle of 183 days in FY22 though improved from 238 days in FY21. The elongated working cycle is due to its high average inventory holding period. The company's inventory level is high as they are required to hold inventory due to its erratic demand for TMT and since TMT is produced from the scrap.

Analytical Approach: Standalone

Applicable Criteria

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

Liquidity –Adequate

The liquidity position of the company is expected to remain adequate on account of its adequate expected accruals in the range of ~Rs.16 to Rs.27 crore as against repayment



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obligations in the range of ~Rs.3 to Rs.10 crore over the projected tenure of FY23 to FY25. 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 August 2022 at ~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)			
	31-3-2021	31-3-2022	Q1FY22	Q1FY23
	Audited	Audited	Unaudited	Unaudited
Total Operating Income	237.81	350.64	58.27	96.52
EBITDA	-6.84	29.85	7.87	8.89
PAT	-30.40	8.44	1.90	3.84
Total Debt	161.25	120.25	-	-
Tangible Net worth	70.02	78.50	-	-
Adjusted Net worth	117.77	91.04	-	-
EBITDA Margin (%)	-2.88	8.51	13.51	9.21
PAT Margin (%)	-12.64	2.41	3.26	3.98
Interest coverage	-0.38	1.82	1.85	2.04
Overall gearing	1.90	1.29	-	-

*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 May 30, 2022.

Any other information: Nil

Rating History for last three years:

Sr.	Name of	Current Ratings (Year 2022-23)	Rating History for the past 3 years
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No.	Instrument/ Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022- 23 (July 29, 2022)	Date(s) & Rating(s) assigned in 2021-22 (December 31, 2021) (May 06, 2021)		Date(s) & Rating(s) assigned in 2020- 21	Date(s) & Rating(s) assigned in 2019- 20 (March 04, 2020)
1.	Term Loan	Long Term	3.02	IVR BBB- /Stable	IVR BB+/Positi ve	IVR BB+/Positive	IVR BB; Issuer Not Cooperating*	-	IVR BBB- / Stable
2.	GECF	Long Term	12.87	IVR BBB- /Stable	IVR BB+/Positi ve	IVR BB+/Positive	IVR BB; Issuer Not Cooperating*	-	IVR BBB- / Stable
3.	GECL	Long Term	11.00	IVR BBB- /Stable	IVR BB+/Positi ve	-	-	-	-
4.	Cash Credit	Long Term	80.00 [^]	IVR BBB- /Stable	IVR BB+/Positi ve	IVR BB+/Positive	IVR BB; Issuer Not Cooperating*	-	IVR BBB- / Stable
5.	Bank Guarantee	Long Term	18.00	IVR BBB- /Stable	IVR BB+/Positi ve	IVR BB+/Positive	IVR BB; Issuer Not Cooperating*	-	IVR BBB- / Stable

*Issuer did not cooperate; based on best available information

[^]LC of Rs. 67.00 crore is a sublimit of CC

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com



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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
Term Loan	-	-	June 2023	3.02	IVR BBB-/ Stable
GECF	-	-	October 2025	12.87	IVR BBB-/ Stable
GECL	-	-	March 2026	11.00	IVR BBB-/ Stable
Cash Credit	-	-	-	80.00*	IVR BBB-/ Stable
Bank Guarantee	-	-	-	18.00	IVR BBB-/ Stable

* LC of Rs. 67.00 crore is a sublimit of CC

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Rudra-Global-oct22.pdf>

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

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.