



## Press Release

### Rudra Green Ship Recycling Private Limited (RGSRPL)

January 11, 2024  
(Revised)

#### Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term/ Short Term Bank Facilities	88.00	IVR BBB (CE)* / Stable/ IVR A3+ (CE)* (IVR triple B (Credit Enhancement) with Stable Outlook and IVR A three plus (Credit Enhancement)	Rating revised from IVR BBB- (CE)* / Stable/ IVR A3 (CE)* (IVR triple B minus (Credit Enhancement) with Stable Outlook and IVR A three (Credit Enhancement)	Complex
<b>Total</b>	<b>88.00</b> <b>(Rs. Eighty eight</b> <b>crore only)</b>			

*\*CE rating based on by corporate guarantee of Rudra Global Infra Products Limited*

<b>Unsupported Rating<sup>#</sup></b>	IVR BB+ / Stable (IVR double B plus with Stable outlook)
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<sup>#</sup>Unsupported rating does not factor in unconditional and irrevocable corporate guarantee from its parent Rudra Global Infra Products Limited.

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in the rating assigned to the bank facilities of Rudra Green Ship Recycling Private Limited (RGSRPL) is on account of revision of the rating of its corporate guarantor, Rudra Global Infra Products Limited (RGIPL). This corporate guarantee results in credit enhancement in the rating of the said instrument to IVR BBB (CE)/ Stable/ IVR A3+(CE) (IVR Triple B (Credit Enhancement) with Stable outlook and IVR A three plus (Credit Enhancement)) against the unsupported rating of IVR BB+ / Stable (IVR double B plus with Stable outlook).

Further, the ratings also factor in the experienced promoters and long track record of operations, conversion of plot into Green Recycling Yard, improvement in financial performance with improvement in profitability metrics in FY23 and in 9MFY24 and



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improvement in performance of the guarantor, RGIPL in FY23 and in H1FY24. However, these rating strengths are however partially offset by its exposure to cyclicalities inherent in the ship breaking industry and the steel industry, exposure to regulatory and environment hazard risk and exposure to foreign currency fluctuation risk.

### **Rating Sensitivities**

#### **Upward factors**

- Sustained growth in operating income along with improvement in profitability
- Improvement in capital structure and debt protection metrics with improvement in interest coverage to over 3.5x on a sustained basis
- Improvement in credit profile of the corporate guarantor

#### **Downward Factors**

- Moderation in operating income and/or deterioration in operating profitability impacting the debt protection metrics
- Deterioration in capital structure with moderation in overall gearing above 2x
- Elongation of the working capital cycle affecting liquidity
- Moderation in credit profile of the corporate guarantor

### **Adequacy of Credit Enhancement Structure:**

For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee issued by Rudra Global Infra Products Limited (RGIPL) in favour of lenders who have extended the said facilities. The guarantee is legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facilities and has a structured payment mechanism defining invocation and payment timelines. The corporate guarantee results in the rating of the said facilities at IVR BBB (CE)/ Stable/ IVR A3+ (CE) against the unsupported rating of IVR BB+/ Stable. The adequacy of credit enhancement has been tested after considering guaranteed debt by RGIPL and debt of RGSRL. The adjusted capital structure and adjusted debt protection metrics of RGIPL remain adequate.

### **Transaction Structure**

In event of payment default, the following structure will be applicable:



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1. T being scheduled due date of payment.
  2. If the fund available are not sufficient for repayment two (2) days prior to the respective due date of such loan amount, it shall be recognized as 'Event of Default' (EOD)
  3. The Lender will invoke the bank guarantee not later than T-1 days by giving a demand notice to the guarantor
  4. The guarantor upon receipt of such demand notice from the lender shall forthwith and in any case latest by the Due date (T) shall make the payment.
- Infomerics will consider T as its legal final maturity for the purpose of recognition of default.

### Detailed Description of Key Rating Drivers

#### Key Rating Strengths

- **Experienced promoters and long track record of operations**

Rudra Green Ship Recycling Private Limited (erstwhile Harikrishna Steel Corporation (HSC)) has been engaged in the ship breaking business since 1994 and has a long track record of operations in the ship breaking industry. The company is promoted by Mr. Ashok Kumar Gupta who has more than 30 years of experience in the Steel sector and entered into ship breaking in 1994. The day-to-day affairs of the company are looked over by his son Mr. Sahil Gupta along with a team of experienced professionals.

- **Conversion of plot into Green Recycling Yard**

RGSRPL's plot has been converted into a Green Recycling (Guidelines for Safe and Environmentally Sound Ship Recycling) yard in May 2017 to be compliant with International Maritime Organisation's, Hong Kong Convention, which will enhance the ship procurement capabilities and ensure that the ship breaking procedure does not pose any unnecessary risk to human health, safety and environment.

- **Improvement in financial performance with improvement in profitability metrics in FY23 and in 9MFY24**

The topline of the company improved to Rs. 133.34 crore in FY23 from Rs.129.15 crore in FY22 registering a y-o-y growth of ~4% due to increase in the demand for steel. EBIDTA moderated to Rs. 3.67 crore from Rs.4.48 crore in FY22 due to rise in the price of ferrous



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materials imported by the company. However, PAT improved to Rs.2.46 crore in FY23 from Rs.2.13 crore in FY22. EBIDTA margin though continued to remain thin improved to 2.75% in FY23 from 3.47% in FY22 due to rise price of the raw material while PAT margin improved to 1.83% in FY23 from 1.65% in FY22 due to reduction in interest expenses with decrease in the interest rate and lower utilisation of the limits throughout the year. The topline of the company improved to Rs. 130.86 crore in 9MFY24 up 40.11% y-o-y due to increase in the demand for steel. Led by an increase in topline, EBITDA also increased ~34% y-o-y to Rs. 4.95 crore in 9MFY24.

- **Improvement in performance of the guarantor, RGIPL in FY23 and in H1FY24**

Total operating income (TOI) of the company registered y-o-y growth of ~29% and improved to Rs.451.62 crore in FY23 from Rs. 350.64 crore in FY22 on account of healthy demand for TMT bar with rise in the demand from construction and infrastructure sector and the increase in production capacity of TMT bars to 1,20,000 MTPA in February 2023 from 60,000 MTPA prior to that. EBIDTA increased 11.56% y-o-y to Rs. 33.34 crore and PAT was up 64.47% y-o-y to Rs. 13.88 crore. In H1FY24 (unaudited) RGIPL has earned a topline of Rs. 273.27 crore which was ~36% up y-o-y. EBITDA was up 39% y-o-y to Rs. 23.15 crore. RGIPL has earned net profit of Rs.12.14 crore up ~47% yoy.

### Key Rating Weaknesses

- **Exposure to cyclicity inherent in the ship breaking industry and the steel industry**

The ship breaking industry is cyclical in nature as supply of old ships for recycling is inversely proportional to freight rates in the global economy. These freight rates take into account the global demand for seaborne transport and supply of new vessels which in turn depends on global merchandise trade. Better availability of old ships for recycling is ensured at the time of recession and when freight rates are low which makes it economical to dismantle the ship rather than continue to operate it. Further, RGSRL's fortunes depend on the steel industry and therefore it is vulnerable to the cyclicity associated with the steel industry.

- **Exposure to regulatory and environment hazard risk**



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The ship-breaking industry in the Alang-Sosiya belt of Gujarat is highly regulated with strict working and safety standards to be maintained by the ship-breakers for their labourers and environmental compliance. Furthermore, the industry is prone to risks related to pollution as it involves dismantling of ships which contain various hazardous substances like lead, asbestos, acids, hazardous paints, etc.

- **Exposure to foreign currency fluctuation risk**

The company uses Letter of Credit (LC) to purchase old ships. Since the transactions are denominated in foreign currency, the company is exposed to forex risk, as the company's revenue is denominated in Indian Rupee (INR). However, the company hedges its forex risk by taking forward cover, which mitigates its risk to forex fluctuations to an extent.

**Analytical Approach:** Standalone and credit enhancement.

Credit enhancement is based on the unconditional, irrevocable and enforceable corporate guarantee extended by Rudra Global Infra Products Limited to the bank facilities of RGIPL.

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Rating Methodology for Structure Debt Transactions \(Non-Securitisation transaction\)](#)

[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 as against repayment obligations over the projected tenure of FY24 to FY26. Moreover, the company's fund-based utilisation was moderate at ~82% for the past twelve months through December 2023. The company has no capex plans and so there will be no debt loading thus cash flow liquidity will remain in the company.

**About the Company**

Rudra Green Ship Recycling Private Limited (RGSRL), formerly known as Harikrishna Steel Corporation (HSC) was established in 1994 as a partnership firm. In June 2018, the firm was





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converted into a private limited company with the current name. RGSRL is a part of the M.D. Group of Bhavnagar, Gujarat and is engaged in ship recycling activities. The company operates from the Alang Ship Breaking Yard in Bhavnagar, Gujarat. RGSRL's operations are carried out at the premises leased out by the Gujarat Maritime Board in Bhavnagar.

### **About the Corporate Guarantor (Rudra Global Infra Products Limited)**

Rudra Global Infra Products Limited (RGIPL), formerly known as MD Inducto Cast Limited, was incorporated in 2010 in Bhavnagar, Gujarat. The company is engaged in manufacturing of billets and TMT Bars and has an installed capacity of 1,20,000 MTPA each for billets and 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)	
	31-3-2022	31-3-2023
	Audited	Audited
Total Operating Income	129.15	133.34
EBITDA	4.48	3.67
PAT	2.13	2.46
Total Debt	0.24	8.41
Book Tangible Net worth	22.49	24.94
EBITDA Margin (%)	3.47	2.75
PAT Margin (%)	1.65	1.83
Overall gearing	0.01	0.34

\*Classification as per Infomerics' standards

### **Financials of the Corporate Guarantor (Rudra Global Infra Products Limited):**

For the year ended* / As On	(Rs. crore)			
	31-03-2022	31-03-2023	H1FY23	H1FY24
	Audited	Audited	Unaudited	Unaudited
Total Operating Income	350.64	453.89	201.68	273.27
EBITDA	29.88	33.34	16.67	23.15
PAT	8.44	13.88	8.25	12.14
Total Debt	120.25	100.10	95.72	102.24



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For the year ended* / As On	31-03-2022	31-03-2023	H1FY23	H1FY24
	<b>Audited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Tangible Net worth	78.50	92.91	86.75	105.06
Adjusted Tangible Net worth	93.50	107.91	101.75	120.06
EBITDA Margin (%)	8.52	7.35	8.27	8.47
PAT Margin (%)	2.41	3.06	4.09	4.44
Overall Gearing Ratio (x)	1.29	0.93	0.94	0.85

\*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 August 14, 2023.

**Any other information:** Nil

**Rating History for last three years:**

S. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Rating	Current Ratings (Year 2022-23)		Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2020-21 (May 19, 2020)
					(January 23, 2023)	(August 4, 2022)	(January 4, 2022)	(May 6, 2021)	
1	ILC/FLC	Long Term/Short Term	88.00 <sup>^</sup>	IVR BBB (CE)/ Stable/ IVR A3+ (CE)	IVR BBB-/ (CE)/ Stable / IVR A3 (CE)	IVR BB+ (CE)/ Positive / IVR A4+ (CE)	IVR BB+ (CE)/ Positive / IVR A4+ (CE)	IVR BB (CE) Issuer Not Cooperating / IVR A4 (CE) Issuer Not Cooperating *	IVR BBB- (CE) Stable / IVR A3 (CE)
2	Proposed ILC/FLC	-	-	-	-	Withdrawn	IVR BB+ (CE)/ Positive / IVR A4+ (CE)	IVR BB (CE) Issuer Not Cooperating / IVR A4 (CE) Issuer Not	IVR BBB- (CE) Stable / IVR A3 (CE)



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-	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Rating	Current Ratings (Year 2022-23)		Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2020-21 (May 19, 2020)
					(January 23, 2023)	(August 4, 2022)	(January 4, 2022)	(May 6, 2021)	
								Cooperating *	

\*Issuer did not cooperate; based on best available information.

^Cash credit of Rs.12.00 crore is a sub limit of the total bank facility

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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](http://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
ILC/FLC	-	-	-	88.00^	IVR BBB (CE)/ Stable/ IVR A3+ (CE)

^Cash credit of Rs.12.00 crore is a sub limit of the total bank facility

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

**Annexure 3: Facility wise lender details:** [len-Rudra-GreenShip-jan24.pdf](http://len-Rudra-GreenShip-jan24.pdf)

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:**

### Financial Covenants

Each of the following events will attract penal interest/charges as applicable at rates circulated from time to time, over and above the normal interest applicable in the account.

- For the period of overdue interest/installment in respect of Term Loans and overdrawings above the drawing power/limit in Fund Based Working Capital Accounts on account of interest/development of letters of Credit/bank guarantee, insufficient stocks and receivables.
- Delay in submission of stock statements after 10<sup>th</sup> of the following month.
- Non submission of audited balance sheet within 8 months of closure of financial year.
- Non submission/delay submission of follow up/ review data such as QRS/QMS information, project progress report etc, wherever stipulated within due date.
- Non submission of review/renewal data at least one month prior to due date.
- Non-obtention of External Credit risk rating from agency approved by RBI.



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### Non Financial Covenants

The borrower should maintain adequate books of accounts, as per applicable accounting practices and standards, which should correctly reflect its financial position and scale of operations and should not radically change its accounting system without notice to the Bank

The borrower should submit to the Bank such financial statements as may be required by the Bank from time to time in addition to the set of such statements to be furnished by the borrower to the Bank as on the date of publication of the borrower's annual accounts.

In case of default in repayment of the loan/advances or in the payment of the interest thereon or any of the agreed instalments of the loan on due date(s) by the borrower, the Bank and/or the RBI will have an unqualified right to disclose or publish the borrower's name or the name of the borrower/unit and its directors/partners/proprietors as defaulters/willful defaulters in such manner and through such medium as the Bank or RBI in their absolute discretion may think fit.

The Bank will have the right to share credit information as deemed appropriate with Credit Information Companies (CICs) or any other institution as approved by RBI from time to time

The borrower should not induct into its Board a person whose name appears in the willful defaulters list of RBI/ CICs. In case such a person is already on the Board of the borrowing company, it would take expeditious and effective steps for removal of that person from its Board. Nominee directors are excluded for this purpose.

### Link to the original PR is given below

[pr-Rudra-GreenShip-11jan24.pdf \(infomerics.com\)](#)

**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).