



## Infomerics Valuation And Rating Pvt. Ltd.

Press Release

### Rungta Projects Limited

May 14, 2019

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Term Loan	3.00	IVR BB- / Stable Outlook (IVR Double B Minus with Stable Outlook)	Assigned
Long Term Bank Facilities – Cash Credit	42.50	IVR BB- / Stable Outlook (IVR Double B Minus with Stable Outlook)	Assigned
Short Term Bank Facilities – Bank Guarantee	9.50	IVR A4 (IVR A Four)	Assigned
<b>Total</b>	<b>55.00</b>		

Details of Facilities are in Annexure I

#### Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Rungta projects Ltd (RPL) favourably factors vast experience of the promoters and management, reputed clientele, moderate capital structure and healthy operating margin. However, the ratings are constrained by volatility in revenues, working capital intensive nature of operations and weak debt protection parameters. Continuity in order flows leading to ramp up in scale of operations, profitability, outcome of legal proceedings pending against the promoter and efficient working capital management are the key rating sensitivities.

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

##### Key Rating Strengths

##### Experienced promoters

RPL was promoted by Mr. R.S Rungta in the year 1983, having an experience of more than five decades in the field of coal transportation, coal mining contracts, overburden removal, coal handling and other allied activities. The day to day operation of the company is managed by Mr. Sanjay Rungta and Mr. Sunil Rungta (Son of Mr. RS Rungta). A legal proceeding is ongoing against the promoter (Mr. RS Rungta) against which he has filed an appeal before the Honourable Delhi High Court. However, this is to note that the legal proceeding does not pertain to RPL.

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### **Reputed clientele**

RPL caters to various subsidiaries of Coal India Limited (CIL). Besides, the company is also working with Steel Authority of India (scientific exploitation of mines) and Gujarat Mineral Development Corporation (transportation of lignite from the mines to power plants).

### **Healthy operating margins and moderate capital structure**

The company's operating margins have been healthy over the years and stood at 15.23% for FY18 (FY refers to the period from April 1 to March 31). RPL's capital structure was moderate marked by overall gearing and long-term debt to equity ratio of 0.58x and 0.27x respectively as on March 31, 2018.

### **Key Rating Weaknesses**

#### **Volatility in revenues**

RPL's revenues dampened in FY18 in the recent past led by moderation in order inflows resulting in a decline in operating scale. This is mainly due to a division in the business, post which RPL is catering mainly to the eastern and central coalfields.

#### **Working capital intensive operations**

RPL's operations remained working capital intensive on account of the long receivables period from most of its clients and retention money deducted leading to stretched liquidity position. Further, the fund based utilization of the company remained high at 93% for the twelve months ended March 2019.

#### **Weak debt protection metrics**

Given the debt funded capex done by the company regularly towards its equipment base, the debt service coverage ratio remained stretched as on the last three account closing dates owing to high repayment obligations pertaining to requirement of continuous equipment/vehicle addition. The credit profile is also expected to remain constrained due to its high repayment obligation in near to medium term and achievement of envisaged cash accruals is a key monitorable.

#### **Analytical Approach: Standalone**

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### Applicable Criteria:

Rating Methodology for Manufacturing Companies  
 Financial Ratios & Interpretation (Non-financial Sector)  
 Default Recognition and Post-Default Curing Period

### Liquidity

The current ratio of the company is above unity and stood at 1.27x as on March 31, 2018. However, the liquidity position of the company is expected to remain stretched owing to its high utilisation of bank borrowings leaving a very limited cushion and high repayment obligation in near term.

### About the Company

Rungta projects Ltd (RPL), incorporated in 1983, initially started its business activities with coal transportation and gradually diversified into coal mining, overburden removal, loading of coal into tippers and wagon loading, transportation of lignite, coal handling and rake management.

### Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	249.94	213.81
EBITDA	30.87	32.56
PAT	3.55	6.05
Total Debt	100.13	95.25
Tangible Net worth	159.20	165.24
EBITDA Margin (%)	12.35	15.23
PAT Margin (%)	1.40	2.75
Overall Gearing Ratio (x)	0.63	0.58

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** The entity was moved into Issuer Not Cooperating category by ICRA vide their press release dated January 31, 2019 on account of non-payment of surveillance fees.

**Any other information:** Nil



## Infomerics Valuation And Rating Pvt. Ltd.

### Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Term Loan	Long Term	3.00	IVR BB- / Stable Outlook	-	-	-
2.	Long Term Fund Based Limits – Cash Credit	Long Term	42.50	IVR BB- / Stable Outlook	-	-	-
3.	Short Term Non Fund Based Limits-BG	Short Term	9.50	IVR A4	-	-	-

**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).

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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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## Infomerics Valuation And Rating Pvt. Ltd.

### Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities –Term Loan	-	-	Dec, 2023	3.00	IVR BB- / Stable Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	42.50	IVR BB- / Stable Outlook
Short Term Bank Facilities – BG	-	-	-	9.50	IVR A4