

Press Release

Rudra Global Infra Products Limited

March 18, 2019

Rating

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Cash Credit	35.00	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Assigned
Long Term Bank Facilities – Term Loan 1	0.79 (present outstanding)	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Assigned
Long Term Bank Facilities – Term Loan 2	57.00 (including proposed limit of Rs.43.00 crore)	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Assigned
Long Term Bank Facilities – Bank Guarantee	10.00	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Assigned
Total	102.79*		

**This is in addition to the bank facilities of Rs.53 crore rated earlier vide press release dated February 12, 2019.
The Total facilities rated is Rs.155.79 crores.*

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating derives comfort from its experienced promoters, established brand, satisfactory gearing and debt protection metrics and improvement in profitability in FY18. However, the rating is constrained by volatility in prices of raw materials and finished goods, exposure to foreign currency fluctuation risk and cyclicalities in the steel industry. Timely execution & funding of expansion, profitability, gearing level, working capital management and performance of the Associate company, Rudra Green Ship Recycling Private Limited, where corporate guarantee is extended are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters



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RGIPL is promoted by Mr. Ashok Kumar Gupta and his son Mr. Nikhil Gupta. Mr. Ashok Kumar Gupta has more than 25 years of experience in the Steel sector and has been instrumental in setting up the manufacturing facility at Bhavnagar. 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.

Established Brand

The company markets its products under the brand “Rudra TMX”. The company has been able to build a strong brand presence in Gujarat through its network of around 350 dealers and distributors.

Satisfactory gearing and debt protection metrics

RGIPL has a comfortable long term debt-equity ratio of 0.32x and a moderate overall gearing ratio at 0.84x as on March 31, 2018. The debt protection metrics for the company are comfortable in FY18 with the interest coverage ratio of 3.99x and Total Debt to Gross Cash Accruals of 3.34x.

Improvement in profitability in FY18

Total Operating Income increased by 47.11% in FY18 over FY17. EBITDA margin also improved from 6.80% in FY17 to 7.04% in FY18 due to optimization of available resources and improvement in volume sales. PAT increased to Rs.11.09 crore in FY18 from Rs.5.74 crore in FY17 due to increase in both domestic as well as export sales.

Key Rating Weaknesses

Volatility in the prices of raw materials and finished goods

The price of steel has exhibited lot of volatility over the last three years. The costs of raw materials and finished goods are volatile in nature and hence, profitability of the company is susceptible to fluctuation in the prices of its raw material prices and/or its finished goods.

Foreign currency fluctuation risk

RGIPL started export sales from October 2017. The company generated approximately 11% of its revenue through export of its finished products in FY18. Consequently, the company remains exposed to the fluctuations in forex rates. The company enters into forward contracts

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from time to time to hedge risk on account of foreign exchange fluctuation. However, the amount of unhedged foreign currency exposure as on 31st March, 2018 was Rs.3.46 crore.

Cyclicality of steel industry

The steel industry is highly cyclical. Steel prices fluctuate based on macroeconomic factors, including consumer confidence, employment rates, interest rates & inflation rates, general level of infrastructure activities in its sales territory, etc. Volatility in steel prices may have an adverse effect on company's performance. But the outlook for the steel industry in the short to medium term appears to be good as the steel prices have hardened recently, coupled with robust demand in the domestic market.

Analytical Approach & Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The cash DSCR appears to be stretched on account of funding of capex from internal accruals and repayment of term debt. However, the same will stabilise over the period, when the debt reduces. The company expects higher cash accruals in the projected period to meet its debt obligations.

About the Company

Rudra Global Infra Products Limited (RGIPL), formerly known as MD Inducto Cast Limited, based in Bhavnagar, Gujarat was incorporated in 2010. The company is engaged in the manufacturing of billets and TMT Bars and has its manufacturing facility at Bhavnagar with an installed capacity of 1,20,000 MT per annum. The company was listed on BSE SME Exchange in 2015 and was migrated to BSE Mainboard Platform on December 5, 2017.

RGIPL is the flagship company of the MD Group. Other entities of the Group include Rudra Green Ship Recycling Private Ltd., formerly known as Harikrishna Steel Corporation (engaged in Ship breaking activity), Chintamani Oxygen (engaged in manufacturing of oxygen and other industrial gases) and Sonthalia Steel Rolling Mills Private Limited (engaged in manufacturing of MS billets).

The company sells its products under the brand name, 'Rudra TMX' and mostly operates in the state of Gujarat through its dealers and distributors.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	262.80	386.60
EBITDA	17.88	27.20
PAT	5.74	11.09
Total Debt	55.19	52.11
Tangible Net worth	53.98	62.17
EBITDA Margin (%)	6.80	7.04
PAT Margin (%)	2.17	2.85
Overall Gearing Ratio (x)	1.02	0.84

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Cash Credit	Long Term	45.00 (including proposed limit of Rs.10.00 crore, press release dated February 12, 2019)	IVR BBB / Stable Outlook	-	-	-
2.	Long Term Non Fund Based Limits – Bank Guarantee	Long Term	8.00 (press release dated February 12, 2019)	IVR BBB / Stable Outlook	-	-	-
3.	Long Term Fund Based Limits – Cash Credit	Long Term	35.00	IVR BBB / Stable Outlook	-	-	-
4.	Long Term Fund Based Limits – Term Loan	Long Term	57.79	IVR BBB / Stable Outlook	-	-	-
5.	Long Term Non Fund Based Limits – Bank Guarantee	Long Term	10.00	IVR BBB / Stable Outlook	-	-	-

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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.

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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
Long Term Bank Facilities –Cash Credit	-	-	-	35	IVR BBB / Stable Outlook
Long Term Bank Facilities – Term Loan 1	-	12.40%	March, 2020	0.79 (present outstanding)	IVR BBB / Stable Outlook
Long Term Bank Facilities – Term Loan 2	-	12.25%	September, 2026	57 (including proposed limit of Rs. 43.00 crore)	IVR BBB / Stable Outlook
Long Term Bank Facilities – Bank Guarantee	-	-	-	10.00	IVR BBB / Stable Outlook