



## RATING RATIONALE

9 October 2020

**Rudra Industries**

**Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of Rs. 12 Crs. of Rudra Industries**

### Particulars:

Instruments / Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (April, 2019)	Present
Fund based	12.64	12.00	Long Term	BWR B+ Stable	BWR B+ Stable Reaffirmed
<b>Total</b>	<b>12.64</b>	<b>12.00</b>	<b>Rs. Twelve Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank Loan facilities is provided in Annexure-I

### RATING ACTION / OUTLOOK

The reaffirmation of the ratings assigned for the bank loan facilities of Rudra Industries has factored the moderate growth in the revenue and timely service of their debt obligations. Further, the ratings have drawn strength from the experience of the directors, moderate operational track record, reputed clientele and revenue growth. The ratings are however constrained by low net worth, high gearing, and susceptibility of raw material prices..

BWR believes that the business risk profile of Rudra Industries will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

### KEY RATING DRIVERS

#### Credit Strengths:

- **Experience of partners** :- The firm has 14 partners and is a family business. The daily operations are looked after by Mr K Kishan and his brothers who have over 25 years of experience.
- **Favourable demand prospects of the industry**: The demand prospects of rice are expected to remain stable as rice and rice-based products form an essential ingredient of Indian diet.
- **Marginal revenue growth** :- Revenue from operations has been increasing on YoY basis from the last 3 years. The firm clocked revenues of Rs.26.87 Cr in FY17, Rs. 27.30 Cr in FY18 and Rs. 35.43.74 Cr in FY19.

### **Credit Risks:**

- **Average Financial Risk Profile :** The firm had Tangible Net worth of Rs.4.46 Cr as on 31.03.19. Gearing remains high with TD/TNW at 3.04 Times . Current Ratio for FY19 stood at 1.48 times.
- **Intense Competition and Susceptibility to Raw material Prices :** Competition remains intense in the Rice Milling industry marked by multiple players and low pricing power. Paddy being a seasonal crop is also exposed to unfavourable monsoon risk and Minimum Support Prices decided by the government.
- **Constitution :** Withdrawal of capital by the Partners for any personal contingency would adversely affect the capital structure of the firm.

### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has considered the standalone performance of Rudra Industries. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

### **RATING SENSITIVITIES**

Going forward, the ability of the firm to increase its scale of operations, improve profitability, efficiently manage its working capital and strengthen its overall credit profile would be the key rating sensitivities.

**Positive:** The outlook may be revised to Positive if the company records significantly better-than-expected growth in revenues along with improvement in profitability levels and efficient working capital management, resulting in better debt coverage metrics and liquidity profile.

**Negative:** The outlook may be revised to Negative if the company reports significantly lower than expected performance, resulting in lower than estimated coverage indicators and a weaker liquidity position.

### **LIQUIDITY INDICATORS**

#### **LIQUIDITY POSITION: Moderate**

The EBITDA of the company is sufficient to cover the interest and finance charges. The average utilization of the credit facilities has been around 90% in the last six months. The debt protection metrics of the company are at a moderate level with ISCR and DSCR of 1.22 and 0.91 times respectively. The balance of cash and cash equivalents stood at Rs. 0.08 Crs. as of 31st March 2019. The cash conversion cycle is as high as 168 days However, the current ratio is above the unity level with 1.48 times in FY19.

### **FIRM'S PROFILE**

Rudra Industries was established in 1984 as a partnership firm. The firm has 14 partners. It is involved in rice milling. Paddy is processed to produce raw rice, para boiled rice and by products such as husk, rice bran and broken rice. The firm's office and rice processing unit are located in Arsapally village, Nizamabad district, Telangana

**KEY FINANCIAL INDICATORS**

Key Financial Indicators	Units	FY 19	FY 18
Result Type		Audited	Audited
Total Operating Income	(Rs. Crs.)	35.43	27.36
EBITDA	(Rs. Crs.)	2.05	1.77
PAT	(Rs. Crs.)	0.13	(0.42)
Tangible Network	(Rs. Crs.)	4.46	6.48
Total Debt/Tangible Network	Times	3.04	2.31
Current Ratio	Times	1.48	1.42

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY:- NIL**

**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]**

Instrument / Facilities	Current Rating			Rating History					
	Tenure (Long Term/ Short Term)	Amount (Rs.Crs.)	Rating	April,2019	February, 2019	Jan,2018	Dec, 2016	Oct, 2015	July, 2014
Fund based	Long Term	12.00	BWR B+ (Stable) Reaffirmed	BWR B+ Stable	BWR C+	BWR B+ Stable	BWR B+ Stable	BWR B+ Stable	BWR B Stable
Total		12.00	<b>Rs. Twelve Crores Only</b>						

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Financial Ratios](#)

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**Rudra Industries**

**ANNEXURE I**

**Details of Bank Loan Facilities rated by BWR**

Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
Central Bank of India	Cash Credit	12.00	--	12.00
<b>Total Rupees Twelve Crores only</b>				<b>12.00</b>



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