

Rungta Irrigation Limited

October 15, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	14.00	CARE B; ISSUER NOT COOPERATING* (Single B; Issuer not Cooperating*)	Issuer not Cooperating; Based on best available information
Short term Bank Facilities	8.00	CARE A4; ISSUER NOT COOPERATING* (A Four; Issuer not Cooperating*)	Issuer not Cooperating; Based on best available information
Total	22.00 (Rs. Twenty Two Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated June 27, 2018, placed the ratings of Rungta Irrigation Limited under the 'issuer non-cooperating' category as RIL had failed to provide information for monitoring of the rating. RIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated October 07, 2019 and October 09, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

At the time of last rating on June 27, 2018 the following were the rating weaknesses and strengths:

Key rating weaknesses

Declining scale of operations: The total operating income has declined from Rs.62.25 in FY18 (FY refers to period April 1 to March 31) to Rs.60.99 crore in FY19. Further, the scale of operations stood small which inherently limits the company's financial flexibility in times of stress and deprives it from scale benefits.

Fluctuating profitability margins: The fluctuation registered in profitability margins was due to fluctuations in cost of raw material and traded goods i.e. sprinklers, HDPE/LDPE (High Density Polyethylene/Low Density Polyethylene) pipes, etc. The company could not transfer the additional cost on its customers as the prices are pre-determined by the government.

Prolongation of operating cycle: The operating cycle of the company stood at 231 days for FY19. The company has prolonged working capital cycle mainly due to delay in realization of the receivables, which are mainly in the form of subsidies receivable from the state governments for its key MIS segment as well as retention money.

Vulnerability to changes in government policies: As the MIS systems are 50% subsidized by the government, any change in the government policy regarding subsidies may impact the demand of MIS. Moreover, the price of MIS is regulated by the government and in case of any increase in the raw materials prices which are majorly derivatives of crude oil, RIS would not be able to pass on to its customers.

Competitive industry dominated with few large organized players: MIS industry is highly competitive marked by few large players like Jain Irrigations Systems Limited, Netafim Irrigation India Private Limited, etc. These few players have large market share and profitability margins of the company will remain under pressure due to competition faced by RIL.

Key rating Strength

Experienced management: The overall operations of the company are being managed by Mr R. P. Rungta. He is a graduate by qualification and has an experience of around two decades through his association with RIL. Long experience enables in establishing relationship with the suppliers and also aid in managing the industry dynamics.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Established distribution network: The company has a network of around 50 depots spread across 9 states with an established distribution network of 45 dealers and distributors exclusively selling RIL's products. The dealers market the products on commission basis and sell them to agriculturists. The established network increases accessibility to company's products. The company is an approved supplier with various state governments through which the company gets subsidy on sales of MIS.

Comfortable capital structure: The capital structure of the company stood comfortable as on past three balance sheet dates ending March 31, '17-'19 mainly on account of healthy net worth base. Overall gearing ratio stood at 0.22x as on March 31, 2019. Further, coverage indicators marked by interest coverage and total debt to GCA stood at 2.33x and 7.26x respectively for FY19.

Analytical approach:

Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology – Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

RIL was incorporated in 1986 by Mr Sita Ram Jindal and Mr Dindayal Agrawal under the name of Jindal Irrigation Private Limited. The company was acquired from the erstwhile promoters by Mr M. P. Rungta in the year 1993. Subsequently, the company was listed as a public limited company in 1994. RIL is engaged in the manufacturing of micro-irrigation systems (MIS) which constitutes sprinkler and drip irrigation systems; aluminum, polyvinyl chloride (PVC), and high density polyethylene (HDPE) pipes and fountains.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	62.25	60.99
PBILDT	7.96	4.45
PAT	2.04	0.58
Overall gearing (times)	0.28	0.22
Interest coverage (times)	2.90	2.33

A: Audited

Status of non-cooperation with previous CRA:

ICRA has conducted the review and has classified Rungta Irrigation Limited as "Not Cooperating" vide its press release dated May 27, 2019.

India Ratings has conducted the review and has classified Rungta Irrigation Limited as "Not Cooperating" vide its press release dated November 21, 2018.

Any other information:

Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	14.00	CARE B; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	8.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	14.00	CARE B; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B; ISSUER NOT COOPERATING* (27-Jun-18)	1)CARE B+; ISSUER NOT COOPERATING* (14-Apr-17)	-
2.	Non-fund-based - ST-Bank Guarantees	ST	8.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (27-Jun-18)	1)CARE A4; ISSUER NOT COOPERATING* (14-Apr-17)	-

*Issuer did not cooperate; Based on best available information

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Amit Jindal

Contact no.: +91- 11-4533 3228

Email ID: amit.jindal@careratings.com

Relationship Contact

Swati Agrawal

Contact no.: +91-11-4533 3200

Email ID: swati.agrawal@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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