

Infomerics Valuation And Rating Pvt. Ltd.



RITES Limited

January 3, 2020

Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Short Term Bank Facilities	850	IVR A1+ (IVR A One Plus)	Reaffirmed
Total	850		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating continues to reflect the strong fundamentals backed by Indian railways as the main promoters and well experienced top management. The Company derives benefit from being a public sector enterprise associated with Indian Railways. The rating also draws comfort from the Company's diversified revenue profile, healthy order book and strong liquidity position. These strengths are partially offset by the stretched receivables.

Key Rating Sensitivities

Downward Factors

Availment of debt in future and consequent impact on capital structure

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong Promoters and Experienced Top Management

RITES is promoted by Ministry of Railways, Government of India and has the benefit of being associated with Indian Railways, which is among the largest rail networks in the world. By virtue of being a PSU, RITES has established business relationships with several central and state Government ministries, departments, corporations and public sector undertakings. RITES is also the only export arm of Indian Railways for providing rolling stock overseas other than Thailand, Malaysia and Indonesia. The Company is led by a well-qualified management team which has experience of more than three decades in RITES/ other PSU's.

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Diversified Revenue Profile

For the year ended March 31, 2019, RITES derived ~55% of its total revenue from providing consultancy services, 29% from undertaking turnkey construction projects, ~11% from the export of rolling stock, and around 5% from leasing services. Furthermore, the Company undertakes projects both domestically and abroad and its domestic operations contributed around 86% to the revenue for FY19. The Company is likely to benefit from the diversification in its revenue profile over the medium term.

Healthy Order Book and revenue visibility

RITES had a healthy order book of Rs.5833crore as on Sep 30, 2019 which provides healthy revenue visibility over the medium term. The Company has also bid for several projects which are under negotiation.

Strong Liquidity Profile

RITES registered a y-o-y growth of 37% in its total operating income in FY19. The gross cash accruals also witnessed an improvement from Rs.336crore in FY18 to Rs.461crore in FY19. Moreover, RITES continues to be a zero-debt company with a strong liquidity position. The Company had unencumbered cash and bank balance of Rs.1218.82crore, as on March 31, 2019. Further, it is expected to generate accruals of ~Rs.600crore in FY20, against which it does not have any debt repayment obligations. The liquidity position of the Company is likely to remain strong over the medium term.

Key Rating Weaknesses

Stretched receivables

The Company undertakes projects for Governments, Government instrumentalities, public sector enterprises and other entities including private entities and payments from the clients is generally received within 120 days. However, payment from the Government departments is stretched as

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reflected in debtors greater than 2years which comprised 17.5% of total receivables as on March 31, 2019.

Analytical Approach

Standalone

Applicable Criteria:

Rating Methodology – Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

RITES continue to be a zero-debt company with a strong liquidity position. The Company had unencumbered cash and bank balance of Rs.1218.82crore, as on March 31, 2019. Further, it is expected to generate accruals of ~Rs.600crore in FY20, against which it does not have any repayment obligations. The liquidity position of the Company is likely to remain Strong over the medium term.

About the Company

RITES Limited, a Mini Ratna, Schedule-A, Category- I Public Limited Company was established in 1974. A multi-disciplinary consultancy organization operating in the fields of transport infrastructure and related technologies, RITES provides a comprehensive array of services from consultancy to project execution both domestically and internationally.

Financials (Standalone):

	(Rs. crore)	
For the year ended*	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	1457.80	2001.78
EBITDA (Operating)	391.19	550.60
PAT	331.71	444.65

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For the year ended*	31-03-2018	31-03-2019
Total Debt	0.00	0.00
Tangible Net worth	2138.24	2307.59
EBITDA Margin (%)	26.83	27.51
PAT Margin (%)	20.91	20.55
Overall Gearing Ratio (x)	Not Applicable	Not Applicable

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History with INFOMERICS 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.	Short Term Non Fund Based Limits – Bank Guarantee	Short Term	850	IVR A1+	IVR A1+ (Dec 17, 2018)	-	-

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

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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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Short Term Bank Facilities– Bank Guarantee	-	-	-	850	IVR A1+