



Press Release

Rites Limited

January 03, 2022

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action
1.	Short Term Bank Facilities	1015.00	IVR A1+/ (IVR A One Plus)	IVR A1+/ (IVR A One Plus)	Reaffirm
	Total	1015.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Rites Limited continues to derive comfort from strong promoters and experienced top management, diversified revenue profile healthy order book position which gives revenue visibility and healthy profitability margins. However, these factors are offset by elongated operating cycle and exposure to foreign exchange fluctuation risk.

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 which helps it in getting projects on nomination basis. RITES is also the only export arm of Indian Railways for providing rolling stock overseas. The Company is led by a well-qualified management team which has long standing experience in RITES/ other PSU's.



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Diversified Revenue Profile

In FY21, RITES Ltd derived ~54.08% of its total revenue from providing consultancy services, ~34.71% from undertaking turnkey construction projects, ~5.00% from the export of rolling stock, and around ~6.00% from leasing services. Furthermore, the Company undertakes projects both domestically and abroad and its domestic operations contributed around ~90.00% to the revenue for FY21. The Company is likely to benefit from the diversification in its revenue profile over the medium term.

Healthy Order Book and revenue visibility

As on September 30, 2021, RITES Ltd had a healthy order book of ~Rs.6,435.00 Crores. Total unexecuted order book is proposed to be executed in next 2-3 years which provides healthy revenue visibility over the medium term.

Healthy profitability margins:

EBITDA margins remains healthy at 25.58% in FY21 (FY20: 25.08%), primarily supported by its high margins segment i.e., consultancy services and leasing services. It is partially offset by increased revenue contribution from turnkey projects which has lower margins. Although, the EBITDA margins estimated to decline marginally by 1.00-2.00% on account of estimated higher share of turnkey construction and export business. Net margins continued to be above 20.00%, driven by high interest income against its FDs.

Key Rating Weaknesses

Elongated Operating Cycle

The operating cycle of the company stands elongated at 202 days as on March 31, 2021 (PY:126 days). It is mainly due to high receivable days. Domestically, there was some delay in realization of debtors due to COVID-19 pandemic issues in FY21. Company undertakes projects for governments, government instrumentalities, public sector enterprises and offers credit of up to 120 days. Hence counter party risk is very low. Furthermore, the significant proportion of exports in the total revenue is backed by letters of credit. Hence, there are low risks of losses due to defaults.

Exposure to Foreign Exchange risk



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With a sizeable portion of sales derived from exports i.e., ~25.00% in FY20, ~10.00% in FY21 and ~37.00% during H1FY22. RITESL's profitability remains exposed to foreign exchange currency fluctuations. As of 31 March 2021, & Sep 30, 2022, the company had total unhedged foreign currency exposure of Rs.126.15 Crores (net of Receivable) and Rs.368.52 Crores (net of Receivable) respectively as against the EBIDA of Rs.610.00 Crores as on March 31, 2021, which safeguard the margins to larger extent.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Strong

RITES Ltd continue to be a zero-debt company with a strong liquidity position. The Company had unencumbered cash and bank balance of Rs.889.39 Crores as on March 31, 2021. Further, it is expected to generate gross cash accruals of Rs.500.00-650.00 Crores from the period of FY22-24, 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 Basis):

	(Rs. crore)	
For the year ended*	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	2400.57	1797.39
EBITDA	602.10	459.84



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For the year ended*	31-03-2020	31-03-2021
PAT	596.39	424.35
Total Debt	0.00	0.00
Tangible Net worth	2535.34	2278.31
EBITDA Margin (%)	25.08	25.58
PAT Margin (%)	22.38	21.79
Overall Gearing Ratio (x)	0.00	0.00

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2021-2022)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating (December 31, 2021)	Date(s) & Rating(s) assigned in 2020-21 December 31, 2020)	Date(s) & Rating(s) assigned in 2019-20 January 03, 2020)	Date(s) & Rating(s) assigned in 2018-19 December 17, 2018)
1.	Non-Fund Based Bank Facilities-Bank Guarantee	Short Term	1015.00	IVR A1+	IVR A1+	IVR A1+	IVR A1+

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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



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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
Short Term Bank Facilities- Bank Guarantee	-	-	-	1015.00	IVR A1+

Annexure 2: List of companies considered for consolidated analysis: Not applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/rites-lenders-jan22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Bank Guarantee	Simple



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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.