



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Rean Watertech Private Ltd.

September 4, 2017

Rating

Instrument / Facility	Amount	Rating	Rating Action
Long/Short-term Bank Facilities	Rs.5.85 crores	IVR BBB- with Stable Outlook/IVR A3 (IVR Triple B minus with Stable Outlook/IVR A Three)	Assigned
Long term Bank Facilities	Rs.46.15 crores	IVR BBB- with Stable Outlook (IVR Triple B minus with Stable Outlook)	Assigned

Details of Facility are in Annexure 1

Detailed Rationale

The ratings derive comfort from the experience of promoters, profitable operation and moderate level of network, comfortable gearing level and satisfactory order book position. The ratings are however, constrained by the relatively short tenure of operations, limited number of customers with geographical concentration, ICD exposure, and elongated average receivable collection period. Ability to scale up operation, diversification of clientele and managing receivable collection period effectively are the key rating sensitivities.

List of Key Rating Drivers

- Experience of Promoters
- Profitable operations and moderate level of network
- Comfortable gearing level
- Satisfactory order book position
- Relatively short tenure of operation
- Limited number of customers with geographical concentration



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- ICD exposure
- High receivable collection period

Detailed Description of Key Rating Drivers

Experience of Promoters

Both the promoters of the company, Mr. Hitesh Arora (Managing Director) and Mr. Anjan Mitra (Executive Director) have long and rich experience in large corporate houses as professionals holding senior positions.

Profitable operations and growing Network

Though, the company has been operating for the last three years, it earned PAT of Rs.3.55 crore in FY16 and Rs.3.97 crore in FY17 and the entire profits were ploughed back, leading to increase in network to a moderate level.

Comfortable gearing level

The company has mainly short term borrowings in the form of CC / OD. It also avails bank guarantees for providing performance guarantee and in lieu of Earnest Money Deposit (EMD) for the contracts. The Debt to Equity ratio and Overall Gearing Ratio were generally very comfortable as on the last two account closing dates.

Satisfactory order book position

The company had a total EPC order book with aggregate initial value of Rs. 326.59 crore as on June 30, 2017. In addition, it had O&M contracts in hand of Rs. 137.47 crore as on the same date spanning over a tenure of 5-10 years, indicating an additional revenue visibility of Rs.9-10 crs per annum. It has booked around Rs. 102 crore of revenue during the last two years. The company is nearing completion of its first project in the district of Balaghat in Madhya Pradesh. It is also the L1 bidder in two projects worth Rs. 168.57 crore for which the final contracts are about to be awarded. The orders in hand and the progress thereof provide modest revenue visibility vis-à-vis its scale of operation in the medium term.



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Relatively short tenure of operation

The company has effectively had only two full years of operations including FY17. Also, the company is just nearing completion of its first project in its short tenure of operation. Although, the company is creating a niche in water construction and maintenance project segment and is gradually gaining momentum, its scale of operation is low and needs to be time tested.

Limited number of customers with geographical concentration

The company has few customers till date, due to limited period of existence. Further there is customer concentration, where the top customer (Madhya Pradesh Jal Nigam Maryadit - MPJNM) accounted for a major portion of its revenue in FY17. Currently, all of its projects are concentrated in the state of Madhya Pradesh.

ICD exposure

The company had ICD exposure of Rs.5 cr as on March 31, 2016 which reduced to Rs.4 crore as on March 31, 2017. Reportedly, the company has recovered an additional amount of Rs. 2 crore in FY18 (till date), and expects to recover the remaining amount soon. The exposure is made to a company engaged in real estate business (including real estate development).

High receivable collection period

The average collection period increased in FY17 to 111 days from 32 days in FY16 mainly on account of outstanding balances pertaining to the Balaghat project in respect of which bills of significant amount (Rs.18 crs) were raised towards the end of FY17 and the same has since been recovered in the current year. This apart, there are procedural delays due to government projects resulting in lengthening of the working capital cycle of the company; however, funding for the projects being made by reputed national and multilateral agencies provides comfort.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Infrastructure Companies



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Financial Ratios & Interpretation – non-financial companies

About the Company

RWPL was incorporated in January 2014 to work as construction contractor for setting up drinking water projects and waste water treatment plants across rural and semi urban areas on BOT (Build, Operate & Transfer) basis. It was promoted by two professionals, Mr. Hitesh Arora and Mr. Anjan Mitra, along with BTL EPC Ltd (formerly Bengal Tools Ltd of Shrachi Group). Currently, Boson Green Ventures LLP, in which both Mr.Hitesh Arora and Mr.Anjan Mitra are partners along with their respective spouses, holds the entire equity stake of the company. At present, all of the company's projects under construction are concentrated only in the state of Madhya Pradesh. It plans to expand its operations to other geographies like Rajasthan, Chhattisgarh and Orissa. The company is headquartered in Kolkata and has a zonal office in Bhopal.

Financials (Standalone)

(Rs. Crores)

For the year ended / Rs. Crs	31-03-2016	31-03-2017
	Audited	Provisional
Total Operating Income	47.82	54.02
EBITDA	5.51	6.39
Interest	0.31	0.09
PAT	3.56	4.21
Total Debt	0.2	3.0
Long Term Debt	0.2	0.2
Tangible Net worth*	14.6	18.5
<u>Ratios</u>		
<u>Profitability Ratios (%)</u>		
a. EBIDTA Margin	11.52	11.83
b. PAT Margin	7.33	7.63



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<u>Solvency Ratios</u>		
Long Term		
a. Long Term Debt Equity ratio	0.02	0.01
b. Overall Gearing ratio	0.02	0.21

**including preference share capital*

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating History for last three years: Not applicable

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 Facility

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crores)	Rating Assigned/ Outlook
Letter of Credit / Cash Credit	-	-	-	4.00	IVR BBB- with Stable Outlook (IVR Triple B minus with Stable Outlook) and IVR A3 (IVR A Three)
Letter of Credit / Overdraft	-	-	-	1.85 (within which there is a sub-limit of OD against book debts of Rs.0.50 cr)	IVR BBB- with Stable Outlook (IVR Triple B minus with Stable Outlook) and IVR A3 (IVR A Three)
Bank Guarantee	-	-	-	46.15	IVR BBB- with Stable Outlook (IVR Triple B minus with Stable Outlook)