

RITES Limited
December 17, 2018

Rating

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

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reflects 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. Working capital management is the key rating sensitivity.

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.

Diversified Revenue Profile

For the year ended March 31, 2018, RITES derived 67.27% of its total revenue from providing consultancy services, 16.12% from the export of rolling stock, 10.22% from undertaking turnkey construction projects and around 6.39% from leasing services. Furthermore, the Company undertakes projects both domestically and abroad and its domestic operations contributed around 79% to the revenue for FY18. 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.4818 crore as on March 31, 2018. The Company secured new orders to the tune of Rs.2100 crore (approx.) during H1 FY19 and the order book increased to ~Rs.6183crore as on September 30, 2018 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 continue to be a zero-debt company with a strong liquidity position. The Company had unencumbered cash and bank balance of Rs.1419.82crore, as on March 31, 2018. Further, it is expected to generate accruals of Rs.382 crore in FY19, 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 reflected in debtors greater than 3 years which comprised 11% of total receivables as on March 31, 2018. Debtors more than 3 years have been provided for.

Infomerics Valuation And Rating Pvt. Ltd.



Analytical Approach & Applicable Criteria:

Rating Methodology – Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

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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*	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	1320.03	1465.18
EBITDA (Operating)	333.44	386.27
PAT	330.93	336.81
Total Debt	0.00	0.00
Tangible Net worth	1991.89	2126.79
EBITDA Margin (%)	25.26	26.36

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For the year ended*	31-03-2017	31-03-2018
PAT Margin (%)	21.96	21.02
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 2018-19)			Rating History with INFOMERICS for the past 3 years*		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Short Term Non Fund Based Limits – Bank Guarantee	Short Term	850	IVR A1+	-	-	-

*The Company is reportedly rated by some other CRA in the previous years

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 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+