

Press Release

RITIKA SYSTEMS PRIVATE LIMITED

25 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 20.00 crore bank facilities of RITIKA SYSTEMS PRIVATE LIMITED. The outlook is '**Stable**'.

Incorporated in 1985, Ritika Systems Private Limited (RSPL) is a Delhi-based company, engaged in the energy solutions business. The company undertakes designing, manufacturing, installation and maintenance of solar photovoltaic systems, solar lanterns, solar home lighting systems among others at its two manufacturing facilities at Noida and Neemrana (Rajasthan). The installed capacity stands at 10 megawatts and 30 megawatts respectively. The company has also executed off grid EPC contracts (solar power plants) of more than 16MW capacity and on grid of more than 1.2 MW for government entities. The manufacturing facilities are located at New Delhi.

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

RSPL commenced operations in 1985. The company is led by Director, Mr. Ashok Kumar Wadhwa who has over four decades of experience in the solar industry. He is joined by Mr. Samarth Wadhwa, IIM Kozhikode since 2013. The extensive experience of the management and long track record of operations has helped the company forge long lasting relations with customers and suppliers.

• Growth in revenue and margin

RSPL registered cumulative year on year growth of ~62 per cent during the period under study. The operating income increased to Rs. 74.86 crore in FY2017 from Rs. 41.67 crore in FY2016 and Rs. 28.46 crore in FY2015. The growth in revenue is owing to the commencement of manufacturing of solar panels from 2015. Earlier, the company manufactured electrical products while batteries and panels were sourced from vendors. The operating margins (EBIDTA) improved to 5.12 per cent in FY2017 from 2.63 per cent in FY2016. The Profit after tax margins (PAT) improved to 2.76 per cent in FY2017 from 0.16 per cent in FY2016. The growth in margins can be attributed to RSPL's established bargaining power with customers.

• Moderate financial risk profile

The financial risk profile is moderate marked by net worth of Rs. 11.74 crore as on 31 March, 2017 as against Rs. 9.23 crore as on 31 March, 2016. The networth includes unsecured loan of Rs. 4.25 crore as on 31 March, 2017 and Rs. 3.86 crore as on 31 March, 2016. The gearing (debt- to-equity ratio) stood at 0.86 times as on 31 March, 2017 compared to 0.63 times in the previous year. The total debt of Rs. 10.06 crore, consists of working capital borrowings of Rs. 9.50 crore and term loan of Rs. 0.56 crore as on 31 March, 2017. The interest coverage ratio (ICR) improved to 4.67 times in FY2017 as against 2.86 times in FY2016. In FY2017, the net cash accruals to total debt (NCA/TD) stood at 0.29 times compared to 0.14 times in FY2016.

• Established relations with customers and suppliers

RSPL has established relations of more than two decades with customers and suppliers. The company deals with reputed customers such as Power Grid Corporation of India, Himurja Shimla, Punjab Energy Development Authority, Hindustan Petroleum Corporation Limited to name a few.

Weaknesses

• Working capital intensive operations

RSPL has working capital intensive operations. The Gross Current Assets (GCA) improved to 133 days in FY2017 from 180 days in FY2016. This is on account of reduced debtors of 51 days in FY2017 as against 86 days in FY2016. The company has high inventory holding of 46 days in FY2017 as against 62 days in FY2016. The company receives extended credit of 70 to 80 days from suppliers which moderates the working capital requirement. The average cash credit utilisation stood at 95 per cent for the six months ended 30 November, 2017.

• Intense competition

The company is exposed to intense competition in the industry from Indian companies as also from Chinese imports resulting in pressure on margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the entity.

Outlook: Stable

SMERA believes that RSPL will maintain a stable outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case of sustained growth in revenues and operating profitability while maintaining financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability, deterioration in the financial risk profile or further elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	74.86	41.67	28.46
EBITDA	Rs. Cr.	3.83	1.10	-0.62
PAT	Rs. Cr.	2.07	0.07	-1.56
EBITDA Margin	(%)	5.12	2.63	-2.18
PAT Margin	(%)	2.76	0.16	-5.47
ROCE	(%)	17.15	5.04	-20.71
Total Debt/Tangible Net Worth	Times	1.94	2.00	1.34
PBDIT/Interest	Times	4.67	2.86	-2.09
Total Debt/PBDIT	Times	2.63	5.33	-3.95
Gross Current Assets (Days)	Days	133	180	167

Any other information

Not Applicable

Applicable Criteria

- Default Recognition-<https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments-<https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities-<https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loan	Not Applicable	Not Applicable	Not Applicable	0.24	SMERA BB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4+
Proposed cash credit	Not Applicable	Not Applicable	Not Applicable	3.38	SMERA BB+ / Stable
Proposed Bank guarantee	Not Applicable	Not Applicable	Not Applicable	3.88	SMERA A4+

Contacts

Analytical	Rating Desk
<p>Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in</p> <p>Leena Gupta Analyst - Rating Operations Tel: 022-67141172 leena.gupta@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.