

Press Release

Ritika Systems Private Limited

October 24, 2019



Rating Downgraded, Reaffirmed and Withdrawn

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB-/Outlook: Stable (Downgraded from ACUITE BB+/Stable)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 16.50 crore bank facilities of Ritika Systems Private Limited (RSPL). The outlook is '**Stable**'.

Further Acuité has downgraded and withdrawn the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 3.50 crore bank facilities of Ritika Systems Private Limited (RSPL).

The downgrade is on account of decline RSPL's revenue and elongation in its working capital cycle. The downgrade also factors in the liquidity pressures emanating from around 90 percent utilisation of its working capital limit resulting in deterioration in its debt-equity. Going forward, further dip in revenue and stretch in its working capital cycle will impart downward revision of the rating.

Delhi -based RSPL was incorporated in 1985 and headed by Mr. Ashok Kumar Wadhwa and Mr. Samarth Wadhwa the company is engaged in the designing, manufacturing, installation and maintenance of solar photovoltaic systems, solar lanterns, and solar home lighting systems. The manufacturing facilities of the company are located at Noida and Neemrana (Rajasthan) with the installed capacity of 10 megawatts and 30 megawatts respectively.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of RSPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

RSPL is promoted by Mr. Ashok Kumar Wadhwa and Mr. Samarth Wadhwa who have both amassed an extensive experience of nearly 2 decades in the solar industry. Further the company has an established track record with more than two decades of operations in the region of Delhi. Acuité believes that the company will benefit from its established track record and long-standing relationship with its existing clients.

Weaknesses

• Declining revenue and Margins

The operating income of the company stood at Rs. 34.69 crore for FY2019 as against Rs.57.36 crore in FY2018 and Rs.74.92 crore in FY2017. The operating margins of the company have declined to (0.12) per cent in FY2019 as against 6.39 per cent in FY2018 and 5.11 per cent in FY2017. The PAT margins have also declined to (3.09) per cent in FY2019 as against 2.85 per cent in FY2018 and 2.76 per cent in FY2017. Acuité believes that the company's ability to maintain existing business risk profile and margins will remain key rating deliverable.

• Average financial risk profile

The financial risk profile of the company is average marked by average tangible net worth, moderate gearing and below average debt protection metrics. The Net worth stood at Rs.12.54 crore as on March 31, 2019 as against Rs. 14.77 crore as on March 31, 2018. The gearing has increased to 0.51 times as on March 31, 2019 as compared to 0.45 times in the previous year. Total debt of Rs. 6.34 crore includes working capital borrowings of Rs. 6.24 crore and outstanding term loans of Rs. 0.10 crore. The cash accruals of RSPL are estimated to remain in the range of Rs. (0.14)-0.07 crores over the near to medium term. Interest coverage ratio (ICR) stood below average at 0.35 times in FY2019 against 4.28 times in FY2018. DSCR stood at 0.45 times in FY2019 as against 2.92 times in FY2018. Acuite believes that improvement in profitability will be crucial for the company to maintain its financial risk profile.

• Tender based nature of operations

The revenues of the company are generated through tender-based orders floated by counter parties coupled with the increasing competition in the industry. The revenue has direct impact on successful bidding of order and competitive pricing provided to surpass competition from other players in the industry.

Rating Sensitivity Factor

- Growth in revenue, while improvement in the profitability margins
- Elongation of working capital operations leading deterioration in financial risk profile and liquidity

Material Covenants

None

Liquidity Position

RSPL has stretched liquidity marked by poor net cash accruals to major maturing debt obligations. The company generated cash accruals of Rs. (0.34) crores during FY2019 against repayment obligations of Rs. 0.10 crores. The cash accruals of RSPL are estimated to be around Rs.(0.14)-0.07 crores against no repayment obligations 2020-22. The cash credit limit of the group remains utilized at around 70-75 per cent during the last six month period ended August 2019. The group maintains unencumbered cash and bank balances of Rs.1.41 crore as on March 31, 2019. The current ratio of Shiva Group stood moderate at 1.75 times as on March 31, 2019. Acuite believes that the liquidity of SG is likely to remain adequate over the medium term on account of comfortable cash accruals against no repayment obligations over the medium term.

Outlook: Stable

Acuite believes that RSPL will maintain a 'Stable' business risk profile on account of its established operational track record and experienced management. The outlook may be revised to 'Positive' in case the company is able to achieve significant growth in revenue along with improvement in profitability and significant improvement in financial risk profile. The outlook may be revised to 'Negative' in case of any further deterioration in the working capital cycle or stretched liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	34.69	57.36	74.92
EBITDA	Rs. Cr.	(0.04)	3.66	3.83
PAT	Rs. Cr.	(1.07)	1.64	2.07
EBITDA Margin	(%)	(0.12)	6.39	5.11
PAT Margin	(%)	(3.09)	2.85	2.76
ROCE	(%)	(2.22)	14.72	18.87
Total Debt/Tangible Net Worth	Times	0.51	0.45	0.58
PBDIT/Interest	Times	0.35	4.28	4.67
Total Debt/PBDIT	Times	22.92	1.69	1.66
Gross Current Assets (Days)	Days	204	161	139

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Mar-2019	Term Loan	Long Term	0.24	ACUITE BB+ Issuer not co-operating*
	Cash Credit	Long Term	6.50	ACUITE BB+ Issuer not co-operating*
	Bank Guarantee	Short Term	6.00	ACUITE A4+ Issuer not co-operating*
	Proposed Cash Credit	Long Term	3.38	ACUITE BB+ Issuer not co-operating*
	Proposed Bank Guarantee	Short Term	3.88	ACUITE A4+ (Issuer not co-operating*)
25-Jan-2018	Term Loan	Long Term	0.24	ACUITE BB+ / Stable (Assigned)
	Cash Credit	Long Term	6.50	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Assigned)
	Proposed Cash Credit	Long Term	3.38	ACUITE BB+ / Stable (Assigned)
	Proposed Bank Guarantee	Short Term	3.88	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.24	ACUITE BB- (Downgraded from ACUITE BB+ and Withdrawn)
Cash credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BB-/Stable (Downgraded from ACUITE BB+/Stable)

Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.26	ACUITE BB- (Downgraded from ACUITE BB+ and Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00 (Revised from Rs. 6.00 cr.)	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	-	ACUITE A4+ (Withdrawn)

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About Acuité Ratings & Research:

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