



Press Release

Rite Water Solutions India Private Limited

December 23, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	SMERA BBB/ Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB**' (**read as SMERA BBB**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 12.50 crore bank facilities of Rite Water Solutions India Private Limited (RWSIPL). The outlook is '**Stable**'.

RITE Water Solutions (India) Private Limited (RWSIPL) was established in the year 2004 and is engaged in the business of setting up safe drinking water plants by way of establishing Community Water Centers and Water ATMs. These water treatment plants are based on clean technologies and products developed for removal of chemical contaminants from ground water. The company has its manufacturing unit located in Nagpur. RWSIPL has established its base by setting up water treatment plants across 1,000 villages in 6 states through associations with the concerned water departments of the state governments. SIDBI Venture Capital has acquired an equity stake in RWSIPL and also invested in the preference shares and convertible debentures issued by RWSIPL. SMERA does not anticipate any exit in the near future by SIDBI Venture Capital.

Key rating drivers

Strengths

Experienced management and long track record of operations

RWSIPL is specialized in potable water and water quality improvement solutions. The key promoter of the company Mr. Vinayak Gan (Chairman & MD) is a Chemical Engineer with over three decades of experience in entrepreneurship and business management. His son Mr. Abhijeet Gan (CEO) has academic background in engineering and management with qualifications from leading institutes and has associated with the company in its active management.

Improvement in operating income and healthy profitability

The company operates on a moderate scale with an operating income of Rs.32.76 crore in FY2017 compared to Rs.10.52 crore in FY2016. The improvement is on account of a higher success rate in the tenders that the company participated in. Further, the company has an order book of Rs. 135 crore as of December 2017, of which, Rs. 35 crore has been booked as on date; these orders are expected to be executed before December 2018. The operating

margin has stood healthy and improved to 12.82 percent in FY2017 compared to 9.02 percent in FY2016 on account of increase in revenues. From FY2018, the company also has orders in hand by way of CSR projects to be undertaken for private companies.

Comfortable financial risk profile

The company's financial risk profile is comfortable marked by tangible net worth of Rs. 17.24 crore as on 31 March, 2017 compared to Rs. 13.01 crore as on 31 March, 2016. The company's adjusted gearing stood of 0.06 times as on 31 March, 2017 as against 0.13 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) stood at 3.60 times

And Debt Service Coverage Ratio (DSCR) stood at 3.36 times for FY2017. The Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.45 times as on 31 March, 2017 as against 0.30 times as on 31 March, 2016.

Process Automation

The installed structures have inbuilt software which help in online monitoring of their performance. Parameters like operational hours, quality of water, and defects if any are reflected on the central server via the GPRS system. The live tracking of systems aids in effective management of the entire process centrally.

Weaknesses

Moderate scale of operations due to tender based nature of operations

Despite being in same line of business for more than a decade the company operates on a moderate scale. This is mainly on account of high dependence on the number and value of tenders floated by the state government.

Working capital intensive nature of operations

The operations of the company are working capital intensive marked by Gross Current Asset (GCA) days of 208 in FY2017 as against 464 in the previous year. The reason for high GCA days is stretched debtor days at 102 in FY2017 and mandatory maintenance of high amount of Earnest Money Deposit. The company is able to manage its working capital cycle effectively.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of RWSIPL to arrive at the rating.

Outlook – Stable

SMERA believes that RWSIPL will maintain stable business risk profile on account of its experienced management and current capital structure. The outlook may be revised to 'Positive' in case the company registers substantial increase in its profitability margins supported by healthy revenue growth and effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of any sharp decline in the company's profitability margins or deterioration in the financial risk and liquidity profiles.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	32.76	10.52	7.66
EBITDA	Rs. Cr.	4.20	0.95	0.65
PAT	Rs. Cr.	2.88	0.69	0.64
EBITDA Margin	(%)	12.82	9.02	8.47
PAT Margin	(%)	8.79	6.60	8.33
ROCE	(%)	26.06	8.69	15.70
Total Debt/Tangible Net Worth	Times	0.06	0.13	0.31
PBDIT/Interest	Times	3.47	3.75	2.41
Total Debt/PBDIT	Times	0.27	1.80	3.72
Gross Current Assets (Days)	Days	207.67	463.95	481.09

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>
- Service Entities - <https://www.smera.in/criteria-services.htm>

Note on complexity levels of the rated instrument

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

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

None

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB/ Stable
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA A3+
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A3+

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ABOUT SMERA

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