Press Release

Rite Water Solutions India Private Limited

August 01, 2022

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.00	-	ACUITE A2+ | Reaffirmed
Bank Loan Ratings	5.00	ACUITE A- | Negative | Reaffirmed | Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	21.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has Reaffirmed the long-term rating to **'ACUITE A-' (read as ACUITE A minus)** and the short-term rating to **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs. 21.00 crore bank facilities Rite Water Solutions (India) Private Limited (RWSIPL). The outlook is **'Negative'**.

Rationale for change in Outlook

The Change in Outlook is on account of redemption of compulsory convertible debentures to the tune of 4 crores in FY 21 and Rs. 2 Crores in FY 22. The Redemption of debenture is not in line with Acuite's expectation as same was expected to be converted into equity and hence was treated as quasi equity.The Redemption of debenture has resulted into change in capital structure and repayment obligations of the company. Due to the above factor the Financial Risk Profile of the company has seen slight moderation. Further the working capital profile of the company has deteriorated which is attributable to stretched Debtors days in FY 22. On account of above factors the outlook is revised from stable to negative

About Company

Nagpur based, RWSI was incorporated in 2004 and is engaged in the business of setting up of 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 (Maharashtra).

RWSI has established its base by setting up water treatment plants across 1,000 villages in 12 states through associations with the concerned water departments of the state governments. The SIDBI Venture Capital (a wholly owned subsidiary of SIDBI) has acquired an equity stake of ~16.67 percent as on 31 March, 2018 in RWSI. Other than equity stake, SIDBI Venture Capital has also invested in RWSI by way of compulsory convertible preference shares and compulsory convertible debentures.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Earlier Acuité has considered the consolidated business and financial risk profiles of the Rite Water Solutions India Private Limited (holding company), Rite Waters India Private Limited (subsidiary) and Rite Water Lake City LLP (controlled entity) to arrive at the rating.

Change in Consolidation Approach

Group consist three entities Rite Water Solutions India Private Limited (holding company), Rite Waters India Private Limited (subsidiary) and Rite Water Lake City LLP (controlled entity). In FY21 Holding Company has impaired its investment in Subsidiary Company and Controlled entity.However holding company is still providing support to Controlled entity in form of loans and Advances. Accordingly Rite Waters India Private Limited is removed from the group for consolidation in FY 22.

Key Rating Drivers

Strengths

Established presence in the industry with considerable experience of promoters RWSI enjoys the leadership position in the Indian market on account of specialized technology in potable water and water quality improvement solutions. The company is promoted by Mr. Vinayak Gan (Chairman & MD) with over three decades of experience in entrepreneurship and business management. In the past, he has been associated with Candy Filters (I) Private Limited as a project engineer for design and erection of water treatment plants and Steel Authority of India Limited for seven years. Mr. Vinayak Gan is supported by his son, Mr. Abhijeet Gan (CEO).

Acuité believes with its leadership position through specialized technology in potable water and water quality improvement solution, the group will able to establish new centers in various states.

Healthy Financial Risk Profile

The group has healthy financial risk profile marked by healthy net worth and strong debt protection metrics. The group's net worth stood at Rs. 68.15 Cr as on 31st March 2022(Prov.) as against Rs. 55.45 Cr as on 31st March 2021(Audited). Gearing levels (debt-to-equity) stood at same level 0.20 times as on March 31, 2021 vis-a-vis 0.19 time as on March 31, 2022(Prov.). Further, the interest coverage ratio stood healthy at 9.62 times for FY2022 (Prov.) as against 4.19 times in FY2021. However, Debt service coverage ratio stood healthy at 1.31 times in FY2022 (Prov.) in comparison to 4.05 times in FY2021(Audited). Total outside liabilities to total net worth (TOL/TNW) stood at 0.45 times as on FY2022 (Prov.) vis-à-vis 0.53 times as on FY2021(Audited). However, Debt-EBITA stood at 0.81 times as on 31st March 2022(Prov.) as against 0.62 times as on 31st March 2021.

Weaknesses

Tender based operation with moderate scale of operation

The group has reported modest growth in operating income of Rs. 75.40 crore for FY2022 as against Rs. 72.47 crore in the previous year and remains at a modest level. Revenues are highly dependent on the number and value of tenders floated by State Government.The group also has orders in hand of Rs.366.57 crore as on July 2022. Thus, revenues are expected to improve on year on year basis.

Working capital intensive nature of operations
The operations of the group are working capital intensive with Gross Current Assets (GCA) of 321 days for FY 2022 as against 317 days in the previous year. However, the group is able to manage its working capital cycle effectively due to favorable credit period received from its suppliers. Acuité expects the group's operations to improve though remain stretched on account of high debtors' collection period.

Rating Sensitivities

- Substantial improvement in scale of operations
- Significant improvement in its working capital management
- Company's ability to improve its Profiability

Material Covenants
None

Liquidity Position
Adequate
The group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 13.78 crore for FY2022 (Prov.) as against Rs. 10.11 crore of repayment obligations for the same period. Also, gross current assets (GCA) stood at 321 days for FY2022 (Prov.) as against 317 days for FY2021. Current Ratio stood at 2.21 times as on 31 March 2022(Prov.) as against 2.27 times in the previous year. Therefore, group has sufficient liquidity to meets its requirements.

Negative
Acuité believes that RWSIPL will continue to benefit over the medium term due to its experienced management and established track record. The outlook may be revised to 'Positive' in case the group registers Substantial growth in revenues, NetWorth and net cash accruals while maintaining healthy buffers in their working capital limits and improvement in working capital Operations . The outlook may be revised to 'Stable' in case of sustained improvement in revenues, NetWorth and net cash accruals while maintaining adequate buffers in their working capital limits, Improvement in Working Capital Operations

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	75.40	72.47
PAT	Rs. Cr.	13.44	13.21
PAT Margin	(%)	17.83	18.23
Total Debt/Tangible Net Worth	Times	0.19	0.20
PBDIT/Interest	Times	9.62	4.19

Status of non-cooperation with previous CRA (if applicable)
None

Any Other Information
None

Applicable Criteria
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
• Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm

• Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm

Note on Complexity Levels of the Rated Instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 May 2021	Letter of Credit	Short Term	11.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	5.00	ACUITE A- | Stable (Upgraded from ACUITE BBB+ | Stable)
	Bank Guarantee	Short Term	5.00	ACUITE A2+ (Upgraded from ACUITE A2)
31 Jan 2020	Bank Guarantee	Short Term	11.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB+ | Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2 (Reaffirmed)
24 Jan 2019	Cash Credit	Long Term	5.00	ACUITE BBB+ | Stable (Upgraded from ACUITE BBB | Stable)
	Bank Guarantee	Short Term	10.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Letter of Credit	Short Term	2.69	ACUITE A2 (Upgraded from ACUITE A3+)
23 Dec 2017	Cash Credit	Long Term	5.00	ACUITE BBB | Stable (Assigned)
	Bank Guarantee	Short Term	5.50	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A2+ | Reaffirmed
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A- | Negative | Reaffirmed | Stable to Negative
Bank of Maharashtra	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ | Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.