



Press Release
Rite Water Solutions India Private Limited
August 02, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.50	ACUITE A Stable Assigned	-
Bank Loan Ratings	5.40	ACUITE A Stable Upgraded	-
Bank Loan Ratings	50.00	-	ACUITE A1 Assigned
Bank Loan Ratings	20.00	-	ACUITE A1 Upgraded
Total Outstanding Quantum (Rs. Cr)	77.90	-	-

Rating Rationale

Acuite has upgraded its long-term rating from '**ACUITE A-**' (read as **ACUITE A minus**) to '**ACUITE A**' (read as **ACUITE A**) and the short-term rating from '**ACUITE A2+**' (read as **ACUITE A two plus**) to '**ACUITE A1**' (read as **ACUITE A one**) on the Rs. 25.40 Cr. bank facilities Rite Water Solutions India Private Limited (RWSIPL). The outlook is '**Stable**'.

Also, ACUITE has assigned its long-term rating of '**ACUITE A**' (read as **ACUITE A**) and the short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs. 52.50 Cr. bank facilities Rite Water Solutions India Private Limited (RWSIPL). The outlook is '**Stable**'.

Rationale for rating Upgrade

The rating upgrade takes into account the augmentation in business risk profile of the group marked by substantial improvement in the operating income and profitability. The revenue from the operations of the group improved to Rs. 203.13 Cr. in FY24(Prov.) as compared to Rs. 119.44 Cr. in FY23 and Rs. 77.14 Cr. in FY22 reflecting a growth of 70.07% and 54.84% year on year respectively. The operating margin of the group improved and stood at 32.76% in FY24 (Prov.) as against 31.11% in FY23 and 21.38% in FY22. The financial risk profile of the company remains healthy marked by healthy net worth, low gearing and strong debt protection metrics. The rating also draws comfort from the experience management. The rating is however constrained by the working capital intensive nature of operations of the company, exposure to intense competition and inherent risks due to tender-based operations.

About the 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. RWSIPL has recently started with solar agriculture solutions, and IoT solutions. The company is promoted by Mr. Vinayak Gan (Chairman & MD) with over three decades of experience in entrepreneurship and business management. Mr. Vinayak Gan is supported by his son, Mr. Abhijeet Gan (CEO).

About the Group

Rite Water group is a social enterprise that focuses on providing comprehensive, cost effective and sustainable solutions for safe drinking water to habitations across India. It builds and operates community water treatment and supply systems for villages and urban slums, in partnership with state governments and corporates. The company began with an electrolytic fluoride removal plant in Dongargaon village near Nagpur in 2008. It expanded to community solutions for treatment of all kinds of contaminants in drinking water.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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

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. RWSIPL has recently started with solar agriculture solutions and IoT solutions. The company has been working in rural areas across several states, primarily in the water sector since many years. It plans to leverage this expertise to scale up their solar and IOT solutions in these areas. 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 will aid the group in scaling up in its new segments and establish new centers in various states.

Augmentation in scale and profitability margins

The revenue from operations of the group improved to Rs. 203.13 Cr. in FY24(Prov.) as compared to Rs. 119.44 Cr. in FY23 and Rs. 77.14 Cr. in FY22 reflecting a growth of 70.07% and 54.84% respectively during the period. The growth was majorly on account of higher execution of orders during the period. The group currently has an unexecuted order book position of Rs. 1609.00 Cr. The company plans to expand into IOT and solar agriculture solutions over the near to medium term. Out of total outstanding orderbook, around Rs. 898.31Cr. comprises of solar pumping orders.

The operating profit of the group improved and stood at Rs.66.53 Cr. in FY24(Prov.) as against Rs. 37.16 Cr. in FY23 and Rs.16.50 Cr. in FY22. Furthermore, the operating profit margin stood at 32.76% in FY24(Prov.) as compared against 31.11% in FY23 and 21.38% in FY22. The PAT improved to Rs. 48.85 Cr. in FY24(Prov.) against Rs.25.57 Cr. in FY23 and Rs.15.65 Cr. in FY22. The PAT margins of the group remained at 24.05% in FY24(Prov.) as compared to 21.41% in FY23 and 20.29% in FY22.

Acuité believes that RWSIPL will continue to benefit from extensive experience of the promoters and healthy order book position of the company over the medium term.

Healthy Financial Risk Profile

The group has a healthy financial risk profile marked by healthy net worth, low gearing and strong debt protection metrics. The tangible net worth of the group rose to Rs. 239.45 Cr. in

FY24(Prov.) as compared to Rs. 99.01 Cr. in FY23 as there was an equity infusion of Rs. 100.00 Cr. out of which ~Rs .66.00 Cr. (i.e. 17.5%) was infused by the Water Access Acceleration Fund (W2AF) and balance amount was raised from HNI investors. Since the group follows an asset light model entire fund infusion will be utilized to fund the working capital requirements. This investment will reduce the group's reliance on fund based working capital facilities availed from bank. The gearing of the group remained low at 0.07 times in FY24(Prov.), 0.04 times in FY23 and 0.17 times in FY22.. The total debt of the group stood at Rs. 16.69 Cr. as on 31st March 2024(Prov.) as against Rs. 3.74 Cr. as on 31st March 2023 and Rs. 11.94 Cr. as on 31st March 2022. The TOL/TNW also stood at 0.24 times as on 31st March 2024(Prov.) as against 0.31 times as on 31st March 2023 and 0.46 times as on 31st March 2022. The debt protection metrics improved with debt service coverage ratio of 24.49 times and interest coverage ratio stood at 36.14 times in FY24(prov.) as against 2.8 times and 11.56 times in FY23 respectively. Acuité believes that the financial risk profile of RWSIPL is expected to remain healthy on account of steady margins and conservative financial policy.

Weaknesses

Working Capital intensive in nature with elongated receivable days

The operations of the group are working capital intensive in nature marked by high GCA days of 263 days for FY24(Prov.) as compared against 307 days for FY23. and 310 days in FY22. The high GCA days is majorly on account of high receivable days of 173 days for FY24(Prov.) as against 172 days in FY23 and 227 days in FY22. The inventory levels of the company stood high at 89 days in FY24(Prov.) due to high level of inventory of solar pumps compared against 29 days for FY23 and 19 days in FY22. The creditor days of the group stood at 157 days for FY24(Prov.) as against 215 days for FY23 and 182 days in FY22. Despite working capital intensive nature of operations, the average utilization of fund-based limits low at 33.31% in last six months ended March' 2024.

Acuité believes that the operations of the company will continue to remain intensive on account of high receivable days over the medium term.

Susceptibility to tender-based operations

Revenue and profitability depend entirely on the ability to win tenders. Entities in this segment face intense competition, thus requiring them to bid aggressively to procure contracts; this restricts the operating margin to a moderate level. Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical.

Acuité believes that the company's business profile and financial profile can be adversely impacted on account of presence of stiff competition, and has inherent risk of susceptibility to tender based operations.

Rating Sensitivities

- Substantial improvement in scale of operations
- Significant improvement in its working capital management

Liquidity Position Adequate

The liquidity position of the group remained adequate led by low utilization of working capital limits. The group has high GCA days of 263 days in FY24(Prov.). The average utilization of fundbased limits low at 33.31% in six months ended March' 2024, and for LC stood at 48.26% and BG stood at 65.15% for the same period. The group generated the NCA of Rs. 49.20 Cr. in FY24 (Prov.) against the negligible debt repayment obligation during the same period. Also, the group maintains a cash balance of Rs. 6.52 Cr. as on 31st March 2024(Prov.). The group is estimated to generate net cash accruals in the range of Rs. 59.48 Cr. to Rs. 88.80 Cr. during the period FY2025-26 against negligible repayment obligations.

Acuite believes the group's liquidity position shall remain adequate in view of comfortable net accruals against its repayment obligations.

Outlook: Stable

Acuité believes that RWSIPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and established track record, substantial improvement in scale of the group. The outlook may be revised to 'Positive' in case the group registers substantial growth in revenues and net cash accruals while maintaining healthy buffers in their working capital limits and improvement in working capital operations . Conversely, the outlook may be revised to 'Negative' in case of weakening its capital structure, debt protection metrics and stretch in the liquidity position of the company or lower than expected generation of revenue and profitability.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	203.13	119.44
PAT	Rs. Cr.	48.85	25.57
PAT Margin	(%)	24.05	21.41
Total Debt/Tangible Net Worth	Times	0.07	0.04
PBDIT/Interest	Times	36.14	11.56

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

Not applicable

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 May 2023	Bank Guarantee/Letter of Guarantee	Short Term	16.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	4.40	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
01 Aug 2022	Bank Guarantee/Letter of Guarantee	Short Term	11.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Negative (Reaffirmed)
03 May 2021	Cash Credit	Long Term	5.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Letter of Credit	Short Term	11.00	ACUITE A2+ (Upgraded from ACUITE A2)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A1 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE A1 Upgraded (from ACUITE A2+)
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE A1 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.40	ACUITE A Stable Upgraded (from ACUITE A-)
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE A Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A1 Upgraded (from ACUITE A2+)
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE A1 Assigned

Note - Bank guarantee facilities and the letter of credit are fully interchangeable.

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr.No.	Company Name
1	Rite water solutions India Private Limited
2	Rite water lake city LLP

Contacts

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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.

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