

Press Release

Ridings Consulting Engineers India Limited

July 04, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 7.00 crore bank facilities of Ridings Consulting Engineers India Limited. The outlook is '**Stable**'.

The Delhi-based, Ridings Consulting Engineers India Limited (RCEIL) was incorporated in 1995 by Mr. Sain Ditta Baveja and Mr. Sudhir Kumar Baveja, among others. The company is engaged in providing services related to geospatial information system like GIS mapping solutions, ground penetrating radar, project surveys, sub surface utility engineering survey, geospatial marketing consulting and planning, land surveying, hydrographic survey, local searching, navigation, logistics routing, urban planning, Lida mapping services. The company was listed on the Bombay Stock Exchange (BSE) on March 2018.

Key Rating Drivers

Strengths

- **Healthy operating margins**

The company has reported operating margin of 21.87 percent in FY2018 as against 18.83 percent in FY2017. This is on account of usage of modern technology and value addition nature of the business. The PAT margin of the company stood at 6.17 percent in FY2018 as against 6.03 percent in FY2017.

- **Experienced management**

The promoter, Mr. Sain Ditta Baveja has approximately six decades of experience in the geospatial industry. He is well supported by Mr. Sudhir Kumar Baveja who has over two decades of experience in the geospatial industry. Prior to RCEIL, Mr. Sain Ditta Baveja had undertaken various projects as a consultant with the United Nations, World Bank, Indian National Cartographic Association to name a few.

Weaknesses

- **Working capital intensive operations**

RCEIL's operations are working capital intensive is marked by high Gross Current Assets (GCA) of 488 days as against 349 days in FY2017, on account of high debtor days of 277 days in FY2018 as against 284 days in FY2017. The debtor days are high because of the nature of the industry and also due to contracts tendered for the government. This necessitates working capital requirement as major funds get blocked during the analysis and data collection stage of the projects. Furthermore, the average cash utilisation of the overdraft facility stood higher than 95 percent.

- **Modest scale of operations**

The modest scale of operations is marked by operating income of Rs.18.78 crore in FY2018 as against Rs.16.88 crore in FY2017. Acuite believes that the ability of the firm to increase scale of operations while sustaining its profitability margins will remain a key monitorable.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of RCEIL to arrive at the rating.

Outlook: Stable

Acuite believes that the company will maintain a 'Stable' outlook on the back of extensive experience of the management and healthy profit margins. The outlook maybe revised to 'Positive' in case of sustained increase in revenue while maintaining profitability. Conversely, the outlook maybe revised to 'Negative' in case of a further stretch in the working capital cycle of the company.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	18.78	16.88	14.20
EBITDA	Rs. Cr.	4.11	3.18	2.55
PAT	Rs. Cr.	1.16	1.02	0.52
EBITDA Margin	(%)	21.87	18.83	17.99
PAT Margin	(%)	6.17	6.03	3.67
ROCE	(%)	15.07	17.28	29.17
Total Debt/Tangible Net Worth	Times	0.60	0.83	0.83
PBDIT/Interest	Times	3.06	3.28	2.81
Total Debt/PBDIT	Times	2.76	2.49	2.68
Gross Current Assets (Days)	Days	488	349	417

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

Not Available

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.05	ACUITE BB- / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE A4
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.85	ACUITE A4

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About Acuité Ratings & Research:

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