



Press Release

RITES Limited

December 31, 2020

Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
Short Term Bank Facilities	850.00	IVR A1+ (IVR Single A One Plus)	Reaffirmed
Total	850.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating continues to reflect the strong fundamentals backed by Indian railways as the main promoters and well experienced top management. The Company derives benefit from being a public sector enterprise associated with Indian Railways. The rating also draws comfort from the Company's diversified revenue profile, healthy order book and strong liquidity position. These strengths are partially offset by the stretched receivables.

Key Rating Sensitivities

Downward factors

- Availment of debt in future and consequent impact on capital structure.

Detailed Description of Key Rating Drivers

A. Key Rating Strengths

- **Strong Promoters and Experienced Top Management**

RITES is promoted by Ministry of Railways, Government of India and has the benefit of being associated with Indian Railways, which is among the largest rail networks in the world. By virtue of being a PSU, RITES has established business relationships with several central and state Government ministries, departments, corporations and public sector undertakings which helps it in getting projects on nomination basis. RITES is also the only export arm of Indian Railways for providing rolling stock overseas. The Company is led by a well-qualified management team which has long standing experience in RITES/ other PSU's.

- **Diversified Revenue Profile**



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In FY20, RITES Ltd derived ~44.4% of its total revenue from providing consultancy services, ~28.00% from undertaking turnkey construction projects, ~22.5% from the export of rolling stock, and around ~5.00% from leasing services. Furthermore, the Company undertakes projects both domestically and abroad and its domestic operations contributed around ~75% to the revenue for FY20. The Company is likely to benefit from the diversification in its revenue profile over the medium term.

- **Healthy Order Book and revenue visibility**

As on September 30, 2020, RITES Ltd had a healthy order book of ~Rs.6,661 crore. Total unexecuted order book is proposed executed by FY22-23 which provides healthy revenue visibility over the medium term. The Company has also bid for several projects which are under negotiation.

- **Healthy profitability margins:**

EBITDA margins remains healthy at 26.58% in FY20 (FY19: 27.51%), primarily supported by its high margins segment consultancy services of ~45% and leasing services of ~39%. It is partially offset by increased revenue contribution from turnkey projects which has close to 3% of margins and export business of ~23%. Although, the EBITDA margins to decline on account of higher share of turnkey construction and export businesses. In last three fiscal, net margins continued to be above 20%, driven by high interest income against its FDs.

B. Key Rating Weaknesses

- **Stretched receivables**

The Company undertakes projects for Governments, Government instrumentalities and public sector enterprises and offers credit of up to 120 days. However, payment from the Government departments is stretched as reflected in debtors greater than 1 year which comprised ~24.24% of total receivables as on March 31, 2020.

- **Exposure to Foreign Exchange risk;**

With a sizeable portion of sales derive from exports (almost 22.5% in FY20), RITESL's profitability remains exposed to foreign exchange currency fluctuations. As at 31-Mar-2020 & Sep 30, 2021, the company has total unhedge foreign currency exposure of Rs.298.07 Crore (net of Receivable) and Rs.237.84 (net of Receivable) respectively as against the EBITDA of Rs.866.58 Crore as on March 31, 2020, which safeguard the margins to larger extent..



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Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology – Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

RITES Ltd continue to be a zero-debt company with a strong liquidity position. The Company had unencumbered cash and bank balance of Rs.1100.97crore, as on March 31, 2020. Further, it is expected to generate accruals of ~Rs.511-605 crore from the period of FY20-23, against which it does not have any repayment obligations. The liquidity position of the Company is likely to remain strong over the medium term.

About the Company

RITES Limited, a Mini Ratna, Schedule-A, Category- I Public Limited Company was established in 1974. A multi-disciplinary consultancy organization operating in the fields of transport infrastructure and related technologies, RITES provides a comprehensive array of services from consultancy to project execution both domestically and internationally.

Financials (Standalone Basis)

For the year ended / As On*	(Rs. crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	2001.78	2449.61
EBITDA (Operating)	550.09	651.14
PAT	444.65	596.39
Total Debt	0.00	0.00
Tangible Networth	2307.59	2535.34
EBITDA Margin (%)	27.48	26.58
PAT Margin (%)	20.55	22.38
Overall Gearing Ratio (x)	Nott Applicable	Not Applicable

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None



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Any other information: N.A

Rating History for last three years:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Non Fund Based Bank Facilities	Short Term	850.00	IVR A1+	IVR A1+ (Jan 03, 2020)	IVR A1+ (Dec 17, 2018)	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Short Term Bank Facilities– Bank Guarantee	-	-	-	850.00	IVR A1+