

Rating Advisory

April 19, 2023 | Mumbai

Riddhi Corporate Services Limited

Update as on April 19, 2023

This rating advisory is provided in relation to the rating of Riddhi Corporate Services Limited

The key rating sensitivity factors for the rating include:

Upward factors:

- Revenue increasing at 20% per annum and a steady rise in the operating margin, leading to higher-than-expected cash accrual
- Significant improvement in the working capital cycle, thereby lowering reliance on external debt

Downward factors:

- Steep decline in revenue and profitability margin dropping below 4%, resulting in lower-than-expected cash accrual
- Any large, debt-funded capex
- Sizeable stretch in the working capital cycle

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Riddhi Corporate Services Limited (RCSL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If RCSL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circular SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dt **January 06, 2023** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

RCSL, incorporated in 2010, provides 3PL (warehousing and logistics) management services. The company also offers document management, inbound and outbound contact center, data entry, software development, verification and recruitment services. Mr Alpit Gor, Mr Pravinchandra Gor and Ms Jayshree Gor are the promoters.

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Rating Rationale

February 04, 2022 | Mumbai

Riddhi Corporate Services Limited

'CRISIL BB / Stable' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.7 Crore
Long Term Rating	CRISIL BB/Stable (Assigned)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL BB/Stable**' rating to the long-term bank facility of Riddhi Corporate Services Limited (RCSL).

The rating reflects extensive experience of the promoters in warehousing and logistics management and healthy financial risk profile of RCSL. These strengths are partially offset by modest scale of operations and exposure to intense competition.

Analytical Approach

To arrive at its rating, CRISIL Ratings has considered the standalone business and financial risk profiles of RCSL.

Key Rating Drivers & Detailed Description

Strengths:

Extensive experience of promoters:

The promoters have over two decades of experience in the logistics and online data entry services industry; their strong market dynamics and healthy relations with customers and suppliers should continue to support the business. Over the years, RCSL has expanded into telecom, banking, finance and warehousing sectors. Clientele comprises of reputed players spread across various industries.

Comfortable financial risk profile:

Financial risk profile should remain supported by adequate profitability, low debt and the absence of any large, debt-funded capital expenditure (capex). Total outside liabilities to tangible networth ratio was healthy at 0.82 time as on March 31, 2021. Debt protection metrics were strong, with interest coverage and net cash accrual to total debt ratios of 12.23 times and 0.72 time, respectively, in fiscal 2021.

Weaknesses:

Modest scale of operations:

As RCSL majorly generates its revenue through warehousing operations, scale remains dependent on the occupancy of warehousing capacity and contractual terms with customers. Revenue has been volatile for the past five fiscals and is estimated at Rs 39 crore during the first half of fiscal 2022 (Rs 85 crore in fiscal 2021). Improvement in scale, with increase in warehousing capacity and addition of new customers, will remain a key credit monitorable.

Exposure to intense competition:

The warehousing and logistics industry is highly fragmented and the consequent intense competitive pressure may continue to constrain scalability, pricing power and profitability. Operating profitability remained moderate at 5-7% for the past three fiscals and was 5.47% in fiscal 2021. The margin moderated during the first half of fiscal 2022 and it reported operating loss.

Liquidity: Adequate

In the absence of any debt obligation over the medium term, net cash accrual expected at Rs 6-8 crore per annum will aid financial flexibility. Bank limit utilisation remained nil for the 12 months through December 2021. Cash and bank balance were moderate at Rs 21.80 crore as on March 31, 2021, and current ratio was at 0.64 time. Low gearing and moderate networth also support liquidity.

Outlook: Stable

RCSL will continue to benefit from extensive experience of the promoters and their established relation with customers. Healthy financial and liquidity risk profiles should also boost business growth.

Rating Sensitivity factors

Upward factors:

- Revenue increasing at 20% per annum and a steady rise in the operating margin, leading to higher-than-expected cash accrual
- Significant improvement in the working capital cycle, thereby lowering reliance on external debt

Downward factors:

- Steep decline in revenue and profitability margin dropping below 4%, resulting in lower-than-expected cash accrual
- Any large, debt-funded capex
- Sizeable stretch in the working capital cycle

About the Company

RCSL, incorporated in 2010, provides 3PL (warehousing and logistics) management services. The company also offers document management, inbound and outbound contact center, data entry, software development, verification and recruitment services. Mr Alpit Gor, Mr Pravinchandra Gor and Ms Jayshree Gor are the promoters.

Key Financial Indicators

Particulars	Unit	2021	2020
Revenue	Rs crore	85.54	80.62
Profit after tax (PAT)	Rs crore	3.06	-0.4
PAT margin	%	3.58	-0.5
Adjusted debt/adjusted networth	Times	0.28	0.19
Interest coverage	Times	12.23	18.84

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Overdraft facility	NA	NA	NA	7	NA	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	7.0	CRISIL BB/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Overdraft Facility	7	Axis Bank Limited	CRISIL BB/Stable

This Annexure has been updated on 04-Feb-2022 in line with the lender-wise facility details as on 04-Feb-2022 received from the rated entity.

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[The Rating Process](#)

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