

Rating Update

July 04, 2024 | Mumbai

Riddhi Corporate Services Limited

Update as on July 04, 2024

This update is provided in continuation of the rating rationale below.

The key rating sensitivity factors for the rating include:

Upward factors

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

Downward factors

- Decline in revenue by 20% and profitability margin below 10%, 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, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Riddhi Corporate Services Limited (RCSL) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

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

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Rating Rationale

May 02, 2023 | Mumbai

Riddhi Corporate Services Limited

Rating upgraded to 'CRISIL BBB- / Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.7 Crore
Long Term Rating	CRISIL BBB-/Stable (Upgraded from 'CRISIL BB / Stable')

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank facility of Riddhi Corporate Services Ltd (RCSL) to '**CRISIL BBB-/Stable**' from 'CRISIL BB/Stable'.

The upgrade reflects a belief that the business risk profile of RCSL will continue to improve, led by steady revenue growth and sustenance of enhanced operating profitability. Revenue rose by 36% in fiscal 2022 and is expected to remain moderate over the medium term, backed by the increase in the number of warehouses and customers. Revenue is estimated at Rs 149.92 crore in the first nine months of fiscal 2023. Operating margin improved to 11.8% in fiscal 2022 (5.5% in fiscal 2021) on account of increase in revenue. Operating margin is estimated at 19.6% in the first nine months of fiscal 2023. Financial risk profile is also healthy, marked by low gearing and moderate networth and comfortable debt protection metrics. Sustenance of revenue and improved operating margin leading to higher cash accrual over the medium term would remain a credit monitorable.

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

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of RCSL.

Key Rating Drivers & Detailed Description

Strengths:

Extensive experience of the promoters

The promoters' experience of over two decades in the logistics and online data entry services industry; strong understanding of 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.

Moderate scale of operations

As RCSL majorly generates its revenue through warehousing operations, scale remains dependent on the occupancy of warehouses and contractual terms with customers. During fiscal 2022, revenue expanded to Rs 116.42 crore from Rs 85.54 crore in fiscal 2021 with increase in the number of warehouses and customers. Revenue is estimated at Rs 149.92 crore for the first nine months of fiscal 2023. Improvement in scale, with increase in warehousing capacity and addition of new customers, will remain key monitorable.

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). Gearing remained low at 0.21 time as on March 31, 2022. Debt protection metrics were

comfortable, with interest coverage and net cash accrual to total debt ratios of 4.67 times and 2.39 time, respectively, in fiscal 2022.

Weakness:

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% over the four fiscals through 2021.

Operating margin improved to 11.83% in fiscal 2022 and is estimated at 19.64% for the first nine months of fiscal 2023 due to increase in the number of warehouses and customers.

Liquidity: Adequate

In the absence of debt obligation over the medium term, expected net cash accrual of Rs 24-26 crore per annum will aid financial flexibility. Bank limits remained unutilized for the 12 months through March 2023. Current ratio was at 1.14 times as on March 31, 2022. Cash and bank balance remained at Rs 2.79 crore as on March 31, 2022. Low gearing and moderate networth also support liquidity.

Outlook Stable

RCSL will continue to benefit from the extensive experience of its 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 healthy operating margin, leading to higher-than-expected cash accrual
- Significant improvement in the working capital cycle, thereby lowering reliance on external debt

Downward factors

- Decline in revenue by 20% and profitability margin below 10%, 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 centre, data entry, software development, verification and recruitment services. Mr Alpit Gor, Mr Pravinchandra Gor and Ms Jayshree Gor are the promoters.

Key Financial Indicators

As on / for the period ended March 31		2022	2021
Operating income	Rs crore	116.42	85.54
Reported profit after tax (PAT)	Rs crore	6.38	3.06
PAT margin	%	5.48	3.58
Adjusted debt / adjusted networth	Times	0.21	0.16
Interest coverage	Times	4.67	12.23

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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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	7.00	NA	CRISIL BBB-/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	7.0	CRISIL BBB-/Stable		--	04-02-22	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 BBB-/Stable

This Annexure has been updated on 02-May-2023 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
CRISILs Bank Loan Ratings
CRISILs Bank Loan Ratings - process, scale and default recognition
Understanding CRISILs Ratings and Rating Scales

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