Rating Rationale

Ridhi Sidhi Vincom Ltd (Formerly known as Ridhi Sidhi Vincom Pvt Ltd)

13 July 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 8.50 Crores of Ridhi Sidhi Vincom Ltd (Formerly known as Ridhi Sidhi Vincom Pvt Ltd) (RSVL or the 'Company').

Particulars

Facility Rated	Amount (₹ Crs)	Amount (₹ Crs)	Tenure	Ratings*	
	Previous	Present		Previous (26-Apr-2017)	Present
Fund Based	4.00	4.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) (Outlook:Stable)	Reaffirmation at BWR BB- (Pronounced as BWR Double B Minus) (Outlook:Stable)
Non – Fund Based	3.00	4.50	Short Term	BWR A4 (Pronounced as BWR Single A Four)	Reaffirmation at BWR A4 (Pronounced as BWR Single A Four)
Total	6.00	8.50	(Rupees Eight Crores Fifty Lakhs Only)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Rating reaffirmed BB- (Outlook: Stable) / A4

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating continues to derive strength from established presence of the Company since 2007, promoters' experience in timber trading business for around three decades and adequate debt protection metrics. The promoters' ability to infuse capital into business is also a factor for comfort. However, the rating is constrained by relatively small scale of operations, low tangible net worth, low profitability margin due to trading nature of business, and high reliance on imported raw materials. Going forward, the Company's ability to scale up its operations, efficiently manage working capital cycle and achieve profit margins as projected will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Long track record of promoters and the Company :** The promoters have extensive experience in timber trading business for more than three decades and the company has seen complete business cycles.
- **Exploring Opportunities to scale up its operations :** Considering experience in trading business and positive response for E-commerce business,the Company is exploring opportunities to scale up its operations.

Credit Risks:

- **Small Scale of Operations :** Considering two decades of existence in same line of business, their scale of operations and tangible net worth is relatively small.however, the Company is exploring various opportunities to scale up its operations.
- **Low profitability margin :** Due to trading nature of business and competition, the Company's profitability margin is relatively low. However, the Company is in the process of value adding product / process to improve the margins.
- **Working Capital Management and Liquidity :** For FY17, due to nature of business, the Company need to maintain inventory to meet customer requirement and receivables days increased to 69 as compare to previous year. So it is reflected in working capital utilization which is more than 90%, it indicates that the Company has less financial flexibility.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: ***Stable***

BWR believes the **Ridhi Sidhi Vincom Ltd(Formerly known as Ridhi Sidhi Vincom Pvt Ltd)** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Ridhi Sidhi Vincom Limited erstwhile Ridhi Sidhi Vincom Private Limited was incorporated in the year 2007. It is into trading and processing of timber and wooden logs, imported from African countries. While the Company imports a major quantity directly and remaining materials from the domestic market. The Company has more than 1 acre of Godown which is located in Baidyabati, Hooghly to store timber.

Company Financial Performance

The Company has recorded operating income of ₹ 19.52 Crs against ₹ 18.83 Crores in FY17 registering a 3.66% increase over the previous year and PAT of ₹ 0.08 Crs against ₹ 0.14 Crs in FY17.

Rating History for the last three years

Sl No	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	26-Apr-2017	2016	02-Dec-2015
1	Fund Based	Long Term	4.00	BWR BB- (Outlook:Stable)	BWR BB- (Outlook:Stable)	-	BWR BB- (Outlook:Stable)
2	Non Fund Based	Short Term	4.50	BWR A4	BWR A4	-	BWR A4
	Total		8.50				

Hyperlink/Reference to applicable Criteria

Annexure I
Key Financial Indicators

Key Parameters	Units	FY16 (A)	FY17 (A)
Operating Revenue	₹ Crs	18.83	19.52
EBITDA	₹ Crs	0.83	0.67
PAT	₹ Crs	0.14	0.08
Tangible Net worth	₹ Crs	3.84	3.92
Total Debt/Tangible Net worth	Times	0.99	1.00
Current Ratio	Times	1.52	1.64

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Trading Entities
- Short Term Debt

For any other criteria obtain hyperlinks from website

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Ridhi Sidhi Vincom Limited
Bank wise break up
Annexure II

Type of Facility (₹ in Cr)		Canara Bank (27-Apr-2017)
Fund Based	Cash Credit	4.00
	ODBD (Sublimit)	(2.00)
Long Term Total		4.00
Non Fund Based	Letter of Credit	4.50
Short Term Total		4.50
Total (Short & Long)		8.50

For print and digital media
The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

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