



## RATING RATIONALE

15 June 2020

### Roots Warehousing Solutions

**Brickwork Ratings reaffirms the long term rating for the Bank Loan Facilities of ₹. 16.30 Crores of Roots Warehousing Solutions ('RWS' or 'the firm').**

#### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (July, 2018)	Present
Fund Based Term Loan*	19.43	16.30	Long Term	BWR B+(Stable) [Assigned]	BWR B+ (Stable) [Reaffirmed]
<b>Total</b>	<b>19.43</b>	<b>16.30</b>	<b>INR Sixteen crores and thirty lakhs only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

# Outstanding balance as on 30 Apr' 2020

#### RATING ACTION / OUTLOOK : Stable

BWR has reaffirmed the long term rating at "BWR B+" with "Stable" outlook for the bank loan facilities of Roots Warehousing Solutions ('RWS' or 'the firm'). The rating draws strength from the experienced partners of the firm, locational advantages, fixed source of income, escrow account mechanism in place and moderate financial risk profile. However, the rating is constrained on account of risk of dilution of equity, intense competition in the warehouse renting industry and risks associated with partnership concern.

The rating outlook has been assigned as "Stable" as BWR believes that Roots Warehousing Solutions 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 there is improvement in revenues and gearing levels. The rating outlook may be revised to 'Negative' if there is any deterioration in financial risk profile or liquidity issues.



## KEY RATING DRIVERS

### Credit Strengths:

- **Experienced Partners** : The firm is managed by the partners having business experience of around 20 years being partners in other firms also .
- **Escrow Mechanism:** There is an escrow account mechanism in place. The lease rentals are routed through an escrow account maintained with the bank. The priority is given to debt obligations for the withdrawal purpose.
- **Moderate Financial Risk Profile:** The firm has assured revenues in the form of fixed rental income every month. The lease term as per lease agreement is for 36 months from 1 Jan' 2019 to 31 Dec' 2022. Total operating income of the firm increased from Rs. 3.25 crs in FY18 to Rs. 3.42 crs in FY19. It has healthy operating profit margins and net profit margins of 95.87% and 76.31% respectively in FY19. Debt equity ratio has come down from 5.81x as on 31.03.2018 to 3.07x as on 31.03.2019.

### Credit Challenges

- **Risk of Dilution Of Equity:** The firm has made an advance to its partners having outstanding balance of Rs. 21.07 crs as on 31.03.2019.
- **Risks associated with partnership concern** : Given the partnership nature of the firm's constitution, there is an inherent risk of possibility of withdrawal of partner's capital for any personal contingency that could adversely impact the capital structure of the firm.
- **Intense competition:** RWS is operating in the line of rental warehousing business, which is highly fragmented and marked by the presence of a large number of organised and unorganized players in the market.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

## RATING SENSITIVITIES

Going forward, the ability of the firm to improve its financial risk profile and maintaining adequate liquidity will remain the key rating sensitivities.

Positive: The rating may be upgraded if the company inter alia, is able to improve its topline, improve its gearing, debt protection metrics or on account of any other favourable factor.

Negative: The rating may be downgraded if inter alia, there is any deterioration in financial risk profile, fails to maintain adequate liquidity or on account of any unforeseen unfavourable events.



**LIQUIDITY POSITION : Adequate**

The firm has cash & cash equivalent balance of Rs. 0.12 crs as on 31.03.2019. The current ratio stood at 1.14x as on 31.03.2019. The firm had net accruals of Rs. 3.50 crs against CPLTD of Rs. 2.04 crs as on 31.03.2019. Further, the company has an Interest service coverage ratio (ISCR) of 1.79x & DSCR of 0.94 in FY 19..

**ANY GROUP CONCERNS**

The firm has a group concern, namely, M/s Roots Developers Pvt. Ltd.. The advances made to partners of the firm have ultimately been used in this group company.

**COMPANY PROFILE**

Established in 2008; M/s Roots Warehousing Solutions is a partnership firm having registered office at Kapashera, Delhi. Smt. Roshni Devi, Sh. Virender Singh and Sh. Surander Yadav are partners in the firm having profit sharing of 50%, 25% and 25% respectively. The firm has three warehouses which are 100% leased out to Instakart Services Pvt Ltd. The warehouses are ideally located in Bohra Kalan, Gurgaon connecting to neighbouring major cities.

**KEY FINANCIAL INDICATORS (in ₹ Cr)**

Key Parameters	Units	FY 2019	FY 2018
Result Type		Audited	Audited
Operating Income	₹ Cr	3.42	3.25
EBITDA	₹ Cr	3.28	3.17
PAT	₹ Cr	2.61	2.27
Tangible Net Worth	₹ Cr	6.08	3.47
Total Debt/TNW	Times	3.07	5.81
Current Ratio	Time	1.14	1.13

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Nil**



**RATING HISTORY FOR THE PAST THREE YEARS [including withdrawal and suspended]**

Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2019	13 July' 2018	2017
Fund Based Term Loan*	Long Term	16.30	BWR B+/ Stable [Reaffirmed]	-	BWR B+/ Stable [Assigned]	NA
Total		16.30	INR Sixteen crores and thirty lakhs only			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

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**[Roots Warehousing Solutions]**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

<b>Sl. No.</b>	<b>Name of the Bank</b>	<b>Type of Facilities</b>	<b>Long Term (₹ Cr)</b>	<b>Short Term (₹ Cr)</b>	<b>Total (₹ Cr)</b>
1.	Oriental Bank Of Commerce	Term Loan	16.30	-	16.30
<b>TOTAL</b>					<b>16.30</b>

**Total Rupees Sixteen crores and thirty lakhs only.**

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**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.

**DISCLAIMER**

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