

May 27, 2025

Ritco Logistics Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash Credit	213.75	353.75	[ICRA]BBB+(Stable); reaffirmed / assigned for enhanced amount
Long-term – Non-fund Based – Bank Guarantee	28.00	28.00	[ICRA]BBB+(Stable); reaffirmed
Total	241.75	381.75	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation for Ritco Logistics Limited (Ritco or the company) takes into consideration its established relationships with customers, resulting in continued business from leading players in the petrochemical and fast-moving consumer goods (FMCG) industries. Its foray into new sectors such as steel and cement has also been supporting the business growth. In addition, the rating factors in Ritco's established track record of operations, supported by its wide network, and the promoters' extensive experience in the road logistics industry. Further, the company continues to operate on an asset-light model with a large part of its revenues coming from the market fleet, and its digital platform initiative, which is in line with the same strategy. ICRA notes that Ritco has incurred capex of ~Rs. 100 crore towards increasing its own fleet in FY2025. The increase in own fleet will be used to tap business across industry verticals, which would aid in business diversification in the medium term.

Ritco, with an operating income of Rs. 1,189.7 crore in FY2025, reported a robust YoY revenue growth of 27% over the previous fiscal. Aided by steady demand from its existing customers as well as incremental revenue generation from the newly added clients from the steel and cement sectors, Ritco has demonstrated a strong revenue growth momentum over the years, having increased at a CAGR of 26% between FY2021 and FY2025. ICRA expects the revenue growth momentum to remain healthy over the near-to-medium term as Ritco continues to onboard new clients and expand its own fleet of trucks to meet the requirements of its clientele. Increasing the share of its own fleet is also expected to result in a gradual margin expansion, going forward. ICRA also notes the fresh equity capital of Rs. 100 crore raised by the company in July 2024 through preferential share allotment, which provided comfort to the capital structure to an extent and supported its liquidity profile.

The ratings, however, continue to remain constrained by the susceptibility of Ritco's profitability to market fleet availability and prices, in line with the nature of the business it operates in. Further, intense competition and a fragmented market may also limit pricing ability, capping the profitability, as reflected by a rangebound operating profit margin (OPM) of 7-8% over the years. The company incurred sizeable cumulative capex of ~Rs. 140 crore in FY2024-FY2025 mainly towards truck procurements, with the said fleet expansion majorly funded by long-term fleet loans. Availing long-term fleet loans along with working capital-intensive operations have resulted in high leverage and impacted cash flows from operations, although raising of fresh equity capital during FY2025 has provided some comfort to the capital structure. Ritco's ability to improve its leverage indicators through effective working capital management remains a key rating monitorable, going forward.

The Stable outlook on the rating reflects ICRA's opinion that Ritco will continue to benefit from new client additions and industry diversification amid an improved demand scenario across the end-user sectors. The TrucksUp app, which is in the development stage at present, is likely to support the operational profile of the company over the medium term through consolidating the fleet operators across the country and streamlining fleet management.

Key rating drivers and their description

Credit strengths

Established track record of operations with wide network – Ritco has an established operational track record of over two decades and a wide network across India. The promoters have an extensive experience in the logistics sector, which supported the business growth in the past. The company is promoted by Mr. M.P.S. Chadha and Mr. S.K. Elwadhi, who have been involved in the business of transport and logistics for over 30 years, resulting in established relationships with the key customers over the years.

Asset-light model of operations; digital initiative to improve fleet availability – The company has an asset-light business model with its own fleet of around 480 trucks, accounting for 8-10% of Ritco's overall fleet requirements. Around 90% of the total fleet requirement is hired from the spot market. The business model, despite some expansion of own fleet in the recent past, continues to remain asset light, which helps Ritco in saving fixed fleet costs and reduces the idle capacity in case of any business downturn; however, the same model makes it dependent on the market fleet. The company took the initiative of creating a vehicles aggregation platform to improve visibility across the value chain pertaining to payments, fleet availability and pricing. The company has already registered over 1 lakh trucks on the app, and now plans to ramp up this business through subscription-based model. The platform is expected to give Ritco direct access to a large number of fleet owners, which would support the company's future growth plans.

Fresh round of equity infusion supported capital structure and liquidity profile –To support its working capital profile and partly fund the expansion of its app business, Ritco raised a fresh equity capital of ~Rs. 100 crore in FY2025 through preferential share allotment. The said equity raise has supported Ritco's capital structure and liquidity profile to an extent. A major part of the capital thus raised has been utilised to support the working capital requirements, while a part of the proceeds has also been utilised towards the development and marketing expenditure of the TrucksUp app by the company.

Strong client profile mitigates debtor risk to a large extent; new business acquisition and favourable industry outlook support growth prospects – Ritco has an established customer base of reputed players which includes Reliance Industries Ltd., GAIL India Ltd., Indian Oil Corporation Ltd., Nestle India Limited, etc., which mitigates the debtor risk to a large extent. The company enters long-term agreements with most of its clients, which provide good revenue visibility. The company witnessed a healthy revenue growth in FY2025, led by relatively higher revenues from the existing clients in the petrochemicals and FMCG sectors and incremental revenue generation from the recently acquired clients from steel and cement sectors. Presence of a reputed clientele from diverse sectors safeguards Ritco's business profile against any sector-specific slowdown risk to a large extent.

Credit challenges

Profitability remains susceptible to fleet availability in markets and prices – Ritco's business model remains exposed to significant fluctuations in hire charges for market vehicles as the rates are primarily dependent on the demand-supply dynamics. The company hires most of its fleet from the market. Also, due to the unfragmented nature of the industry, intermediaries/brokers control most of the fleet, and players like Ritco need to rely on them for fleet. The company plans to build direct access to fleet owners through the TrucksUp online platform and get better visibility on fleet availability and pricing. Besides, any adverse policy changes and increasing fuel and related costs may impact the margins.

Very competitive and fragmented market limits pricing ability – The road logistics sector is highly fragmented, with most of the business generated by the unorganised segment. While a significant opportunity exists for organised players to scale up their businesses, especially post GST implementation, the fragmented nature of the industry results in a stiff competition, exerting pressure on the profit margins during renewal of contracts. Nonetheless, Ritco has mitigated this risk to an extent, benefitting from the established relationships with its customers.

Debt-funded fleet addition and working capital intensive operations result in high leverage – Ritco’s capital expenditure outlay in FY2025 (~Rs. 100 crore) remained much higher than the historic level as the company invested in expanding its own fleet during the fiscal. The company may further expand its own fleet in the near term, if required, with a capex outlay of Rs. 30-35 crore per annum. As the fleet expansion initiatives are primarily funded through fleet loans, the said capex and the working capital-intensive operations have resulted in high leverage in recent years. Nevertheless, fresh equity capital raised in FY2025 has provided some comfort in this regard. ICRA expects the leverage indicators to demonstrate a gradual improvement over the medium term, aided by incremental accrual generation through expanded own fleet, along with margin expansion envisaged from the operational synergies from the online platform.

Environmental and Social Risks

Environmental considerations: Emission is the key risk for the entity as the company operates in the logistics sector. The company primarily depends on the market fleet (trucks), which use diesel as the key fuel. With the steady transition to BS-VI norms, emissions are expected to reduce per truck though the total emission would rise with the growing scale of the company. Ritco focuses to opt for new fleet, which support better efficiency and lower emissions. Any significant change pertaining to emission restrictions could result in increase in fleet costs or impact fleet availability, which could affect the company’s revenue growth as well as margins.

Social considerations: Ritco is exposed to social risks such as driver shortage or fleet availability as the company depends primarily on market fleet. However, the company strives to offer a good work environment, make timely payments to the truck drivers/owners and imparts skill development by conducting routine training programmes as well as awareness camps for drivers. The company has also launched a trucker aggregation platform on which it has already onboarded more than 1 lakh vehicles. This is expected to improve the fleet availability for the company, thus mitigating the risk to some extent.

Liquidity position: Adequate

Ritco’s liquidity profile is adequate, with free cash, fixed deposits and liquid investments of ~Rs. 20 crore and buffer in the form of undrawn working capital lines, which stood at ~Rs. 44 crore as of February 28, 2025. Buffer in the form of undrawn working capital lines vis-à-vis the drawing power has remained Rs. 40-50 crore in the recent months. The need to offer cash collateral for its fund-based limits and cash margin on non-fund-based limits result in higher funding requirements. The company has a planned capex of Rs. 30-35 crore per annum over the next two years, which will be funded by a mix of fleet loans and internal accruals. It will have annual long-term debt repayment obligation of Rs. 22-25 crore for FY2026-FY2027.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company demonstrates a sizeable growth in its scale of operations coupled with an improvement in working capital cycle, resulting in improved cash flow from operations and debt coverage metrics on a sustained basis.

Negative factors – ICRA could downgrade Ritco’s rating if the company witnesses a sustained decline in earnings, resulting in a deterioration in its liquidity profile, or any further delay in receivables, or if a major debt-funded capex weakens its financial risk profile on a sustained basis. A specific credit metric for rating downgrade includes an interest cover of less than 3.5 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of Ritco. The details are given in Annexure-2.

About the company

Ritco, incorporated in 2001, provides surface logistics services, including transportation of cargo and warehousing services. The scope of services includes contract logistics, less than truck load (LTL) service and fleet rental services. The company has a pan-India presence through its 29 branches. It has seven warehouses and an in-house fleet of ~480 trucks and 1,200–1,300 attached vehicles to support its operations. Ritco caters to a wide range of industries such as petrochemicals, steel, cement, textiles, pharmaceuticals, petroleum, and automobile, among others. The company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

Key financial indicators

Ritco (Consolidated)	FY2024	FY2025
Operating Income (Rs. crore)	933.3	1,189.7
PAT (Rs. crore)	32.6	40.6
OPBDIT/OI (%)	8.0%	7.5%
PAT/OI (%)	3.5%	3.4%
Total Outside Liabilities/Tangible Net Worth (times)	1.5	1.0
Total Debt/OPBDIT (times)	3.5	3.5
Interest Coverage (times)	3.5	4.0

Source: Ritco, ICRA Research; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	May 27, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	353.75	[ICRA]BBB+ (Stable)	29-Aug-24	[ICRA]BBB+ (Stable)	31-May-23	[ICRA]BBB (Stable)	19-Jan-23 30-Jun-22	[ICRA]BBB+ (Negative)
Bank Guarantee	Long term	28.00	[ICRA]BBB+ (Stable)	29-Aug-24	[ICRA]BBB+ (Stable)	31-May-23	[ICRA]BBB (Stable)	19-Jan-23	[ICRA]BBB+ (Negative)

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Cash Credit	Simple
Long-term – Non-fund Based – Bank Guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	353.75	[ICRA]BBB+ (Stable)
NA	Bank Guarantee	NA	NA	NA	28.00	[ICRA]BBB+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ritco Ownership	Consolidation Approach
Ritco Logistics Limited	100.00%	Full consolidation
Logro Sourcing Private Limited	76.00%	Full consolidation

Source: Ritco

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Branches



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