Proconnect Supply Chain Solutions Limited

April 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	65.74 (Reduced from 81.50)	CARE AA-; Stable	Reaffirmed
Long-term / Short-term bank facilities	95.00 (Enhanced from 79.60)	CARE AA-; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	5.00 (Reduced from 10.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Proconnect Supply Chain Solutions Limited (PCS) factors in the consistent operational performance, diversified end-user segment and widespread logistical network. Ratings continue to derive comfort from linkages with the parent, Redington Limited (REDL) with recent equity infusion in FY23. In FY24, the group's logistics business has been transferred to PCS, with PCS acquiring two automated distribution centres (ADC) from REDL and two subsidiaries, ProConnect Supply Chain Logistics LLC, Dubai (PCS Dubai) and ProConnect Saudi LLC (PCS Saudi) from Redington Gulf FZE.
However, ratings are constrained by highly competitive and fragmented logistics industry and moderate profitability levels.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in the scale of operations and improvement in profitability on a sustained basis.

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Negative factors

- Significant decline in the operating performance on a sustained basis with margins reaching below 5%
- Higher-than-envisaged debt-funded capex/acquisitions, leading to weakening financial risk profile
- Change in the ownership of the company, linkage with Redington or weaking credit profile of the pare

Analytical approach: Consolidated - Factoring in linkages with the REDL.

CARE Ratings Limited (CARE Ratings) has taken a consolidated approach for analysis with PCS and subsidiaries Proconnect Holding Limited, ProConnect Supply Chain Logistics LLC, Dubai and ProConnect Saudi LLC considering the financial linkages and subsidiaries being in the same business as PCS. Ratings also factor in linkages with the parent company, REDL. PCS is a wholly owned subsidiary of REDL with strategic importance to REDL. REDL has also demonstrated support by infusing funds in the form of equity and unsecured loans in the past. All entities consolidated are listed under Annexure-6.

Outlook: Stable

CARE Ratings believes PCS shall continue to benefit from its linkages with the parent and sustain its performance while maintaining a comfortable financial profile.

Detailed description of key rating drivers:

Key strengths

Strong parentage and strong business linkages with Redington group

PCS is a part of the Redington group. The flagship company of the group – REDL - is a leading distributor of IT, lifestyle and mobility products and a provider of supply chain management solutions and support services in India, the Middle East, Turkey and Africa. REDL holds the market leadership position in Middle East and Africa region, while in India it is the second-largest distributor of IT hardware products. The company has periodically added new products to its portfolio and continues to provide ancillary services such as after-sales, third-party logistics through the subsidiary companies. REDL has operations in 38 markets across India and META region. It distributes over 400 brands through a vast network of over 5000+ channel partners.
PCS is a wholly owned subsidiary of REDL. PCS' 3PL supply chain provides backward and forward linkages for REDL business. PCS also is a strategically important subsidiary of REDL as the entire warehousing business is to be managed by PCS.

Service-focused business with widespread logistical network

PCS derives majority income from warehousing and transportation, accounting ~85-90% total income. ProConnect has a network of 181 warehouses and handles ~65000 SKU's, 150000 tons per annum across 36000 customer locations. The company also has

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

two ADCs in Chennai and Kolkata, which covers ~5.25 lakh square feet (lsf) storage space. Other than these ADCs, the company works on asset-light model by taking the warehouses on short-term leases. The company has also expanded its presence in Saudi and Dubai with the acquisition of the REDL subsidiaries in FY24.

Consistent growth in operations
PCS continues to scale up its operations over the years. The company has grown by a compounded annual growth rate (CAGR) of 17% over the last five years driven by acquisitions and addition of new clients. In FY24, the company has recorded a growth in total operating income (TOI) of ~64.4% year-over-year (y-o-y) on a consolidated basis considering acquisitions of two subsidiaries of Redington Gulf FZE through WOS ProConnect holdings Limited. In 9MFY24, PCS achieved revenue of ₹708 crore on a consolidated basis.

Comfortable financial risk profile aided by financial support from the parent
The capital structure of PCS is comfortable aided by profit accretion and equity infusions from the parent. In FY22, the unsecured loans form parent were converted to equity. In FY23, REDL infused equity of ₹ 80 crore proceeds of which were used to acquired two ADCs from REDL and two subsidiaries from Redington Gulf FZE. In FY24, the company has raised a loan of ₹ 35 crore for the funding the acquisition of ADCs. However, post-acquisition of subsidiaries and ADC, overall gearing remains comfortable at 0.48x(PY:0.33x).

Key weaknesses

Moderate profitability margins
In terms of profitability, the operating margins have remained moderate at 7-10% over the last three years. In FY24, the profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins improved to 9.98% (PY:7.43%) on higher fixed cost efficiency and rental savings with the ADCs now being owned assets of the company. Going forward, the profitability is expected to moderate due to pricing pressure from its customers. The company's ability to improve its cost efficiency and margins remain key to the company's prospects.

Concentration of revenue with top customers
In terms of the customer base, in the infancy period, REDL was the main client contributing ~80% to the revenue of PCS. With addition of clients over the years, REDL's contribution has come down to 24% in FY24. However, the revenue is still skewed towards top customers with share of top three clients ~61% revenue in FY24. The company is fairly diversified in industries served with presence in IT, E-commerce, FMCG, FMCDs and garments among others and over 200 clients across different industry verticals.

Presence in highly competitive and fragmented industry
The Indian logistics industry is highly fragmented and unorganised given the presence of innumerable players in the market and organised players account for ~10% of the total market share. The highly fragmented and unorganised industry results in intense price competition and may lead to pressure on the company's profitability in case of adverse situations. However, PCS being a part of the Redington Group and an integrated player providing end-to-end supply chain management, the above risk is mitigated to an extent.

Industry and prospects
The warehousing and logistics sector has been growing steadily since 2017 when it was granted the infrastructure status by the Government of India. The government has also announced significant policy measures and made budgetary allocations towards the improvement of rail, road and water connectivity, which is expected to translate in improving the overall logistics and transportation around the country. Post-COVID-19, surge in online purchases has also increased e-commerce penetration. Ramp-up in transport infrastructure, emergence of 3PL and demand for cold storages, the sector offers opportunities across the spectrum for companies in transportation, storage, distribution and allied services. Development of dedicated rail-based freight corridors, improving focus towards multi-modal connectivity, policies such as logistics efficiency enhancement program, and initiatives to support sustainability among others is expected to aid in the growth in the sector and gradually improve the efficiency in the sector and bring down the cost structure, subject to overcoming challenges considering financing, land acquisition and receiving approvals in a fast track mode. Integration of the sector with IT-enabled services would be pivotal to prospects and improving operational efficiencies.
Going forward, the company's ability to leverage the favourable market conditions and improve the scale while also improving its profitability margins would be key to the company's prospects.

Liquidity: Strong

The liquidity is strong characterised by cushion in accruals against term loan repayment obligations of ₹7 crore and cash balance of ₹40.64 crore as on March 31, 2024. The company's operations are slightly working capital (WC) intensive. However, with focus on improving the operating cycle efficiency, the company has maintained low operating cycle of six days in FY24 (PY: nil days). The company provides credit period of ~45-60 days to the customers. Considering payables get ~30-45 days of credit for other vendors. The utilisation of WC limits also has remained low at ~20% over the last 12 months ended January 2025.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Notching by Factoring Linkages in Ratings
Consolidation & Combined Approach
Service Sector Companies
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Logistics solution provider

ProConnect Supply Chain Solutions Limited (PCS) is a wholly-owned subsidiary of Redington (India) Limited (REDL). PCS provides an integrated end-to-end supply chain management (logistics), reverse logistics, third party logistics (3PL), in-plant logistics management, supply chain consulting, mission critical services and warehousing with cold storage facility. PCS also provides other value-added services such as shrink wrapping and packaging to its customers.

Brief financials (₹crore)-consolidated	March 31,2023	March 31,2024	9MFY25
	(12m, A)	(12m, A)	(6M, UA)
Total operating income	526.36	526.36	708.05
PBILDT	39.09	39.09	91.77
PAT (After def Tax)	7.21	7.21	21.72
Gross Cash Accruals	34.19	34.19	63.02
Overall gearing ratio (times)	0.36	0.36	NA
Interest coverage (times)	6.19	6.19	NA

A: Audited UA: Unaudited;NA: Not Available Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-June-2028	65.74	CARE AA-; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	95.00	CARE AA-; Stable / CARE A1+
Non-fund-based - ST-Bank Guarantee		-	-	-	5.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST	95.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (14-Feb-24)	1)CARE AA-; Stable / CARE A1+ (30-Mar-23) 2)CARE A+; Stable / CARE A1+ (07-Apr-22)	1)CARE A+; Stable / CARE A1+ (07-Apr-21)
2	Non-fund-based - ST-Bank Guarantee	ST	5.00	CARE A1+	-	1)CARE A1+ (14-Feb-24)	1)CARE A1+ (30-Mar-23) 2)CARE A1+ (07-Apr-22)	1)CARE A1+ (07-Apr-21)
3	Fund-based - LT-Term Loan	LT	65.74	CARE AA-; Stable	-	1)CARE AA-; Stable (14-Feb-24)	1)CARE AA-; Stable (30-Mar-23) 2)CARE A+; Stable (07-Apr-22)	1)CARE A+; Stable (07-Apr-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Proconnect Holding Limited	Full	In similar line of business. Subsidiary
2	Proconnect Supply Chain Logistics LLC	Full	In similar line of business. Step down subsidiary
3	Proconnect Saudi LLC	Full	In similar line of business. Step down subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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