

RUBIX QUARTERLY RISK TRANSITION REPORT

Q4 FY 2021 (January – March 2021) to
Q1 FY 2022 (April – June 2021)

At the end of each quarter of the Indian financial year (April - March), **Rubix Data Sciences Pvt. Ltd (Rubix)** compares the data of how Indian companies/ firms in its monitoring portfolio have performed versus the prior quarter, from a statutory compliance and external credit rating perspective.

The key parameters being monitored each quarter are:

- 1. GST Returns:** Is the business entity paying GST and filing the necessary GST Returns in a timely manner?
- 2. Provident Fund:** Is the business entity paying Provident Fund (PF) to its employees (if eligible) and filing the necessary PF Returns in a timely manner?
- 3. Credit Ratings:** Have the Credit Ratings assigned to the business entity changed during the quarter under review. This could be either a Credit Rating upgrade / downgrade or a negative outlook being assigned to the business entity by the Rating Agency. The credit rating agencies considered are CRISIL, ICRA, CARE, India Ratings, Brickworks and Acuite Ratings.

The purpose of this exercise is to see if the business entities being monitored show any deterioration or improvement from a

statutory compliance or external credit rating perspective. There could be several reasons for non-compliance with statutory requirements for paying of GST and Provident Fund and filing the Returns. **Of these, cash flow delays or liquidity problems that business entities face are probably the most important drivers for non-compliance.** Similarly, changes in external Credit Ratings need to be examined closely in order to understand the reasons behind the change.

Suffice to say, a **deterioration** in any of the above parameters for the business entities should raise red-flags and serve as **early warning signals** for those monitoring the portfolio.

Rubix is pleased to release its **Quarterly Risk Transition Report** covering changes in risk from Q4 FY 2021 (January - March 2021) to Q1 FY 2022 (April - June 2021).

Due to the outbreak of the Covid-19 pandemic in India, the Government had announced a variety of statutory relief measures (including extensions on GST and PF filing dates) commencing with effect from March 2020. We have considered new filing dates prescribed by the Government while computing compliance delays while preparing this Quarterly Risk Transition Report.

1 Quarterly Monitoring of GST Compliance

The GST Quarterly Monitoring Report is prepared basis **9,963 business entities** whose **GST filing details were available for both Q4 FY 2021 and Q1 FY 2022**.

This helps ensure an apple-to-apple comparison between both quarters. These business entities belong to more than 35 sectors of the economy.

Each business entity is assigned a GST Compliance Score by Rubix based on

several factors including Average delay in filing of GST Return, Current delay in filing of GST return, Number of instances of delays in GST Return filings over the past 12 months, etc.

The change (Deterioration/ Improvement/ No Change) in the Rubix GST Compliance Scores between Q4 FY 2021 and Q1 FY 2022 of the 9,963 business entities is shown in the table below:

Change in Rubix GST Compliance Score between Q4 FY 2021 and Q1 FY 2022

Type of Change	Number of Business Entities	%
Deterioration	3,177	32% ↓
Improvement	3,149	32% ↑
No Change	3,637	36% ↔
Grand Total	9,963	100%

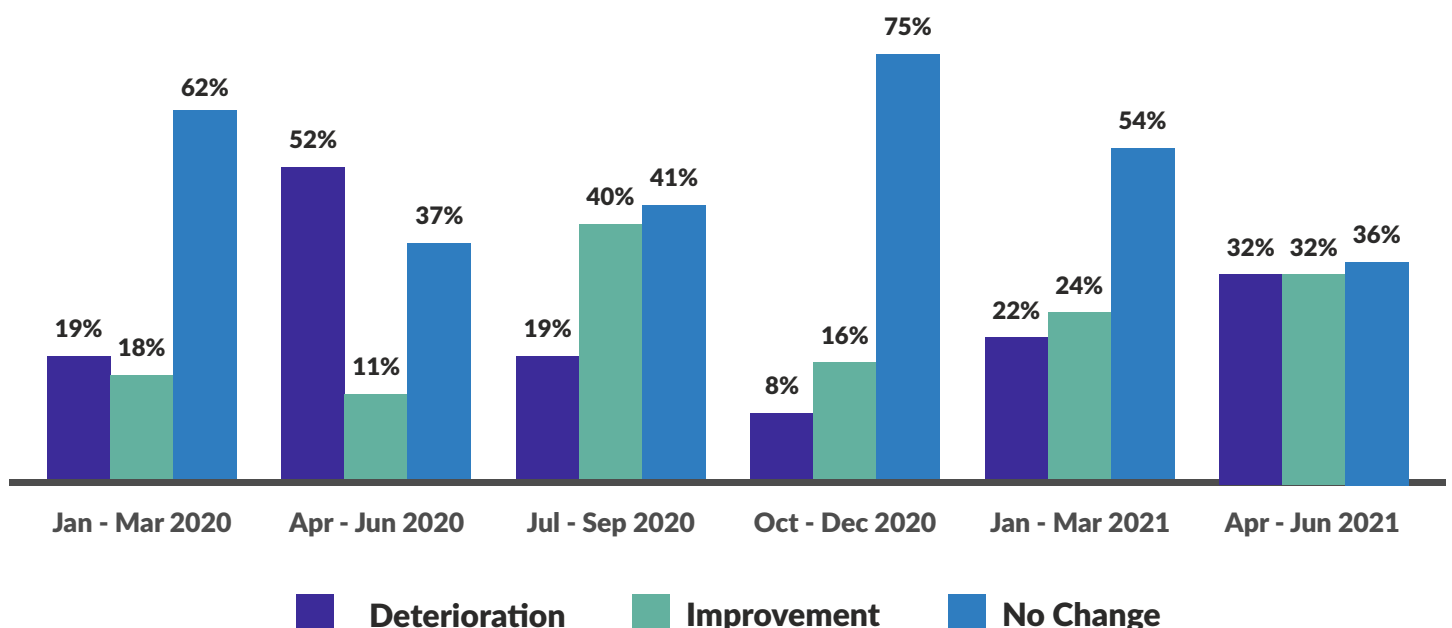
Summary:

As indicated by the above table, **the Rubix GST Compliance Score of 3,177 Business Entities (32% of the total number being monitored) deteriorated between Q4 FY 2021 and Q1 FY 2022.** In the prior quarter, **22% of the business entities** had witnessed a drop in their Rubix GST Compliance Score. **This clearly indicates that the financial health of nearly one-third of business entities being monitored continued to deteriorate in Q1 FY 22.**

There was an improvement in the Rubix GST Compliance Score of 32% of the business entities between Q4 FY 2021 and Q1 FY 2022, versus 24% improvement recorded in the prior quarter; this is a positive sign. The Score remained unchanged for 36% of business entities (versus 54% unchanged recorded in the prior quarter).

Quarterly Risk Transition of GST Compliance Q4 FY 2020 (Jan – Mar 2020) to Q1 FY 2022 (Apr – Jun 2021)

QoQ Change in Rubix GST Compliance Score



2

Quarterly Monitoring of Provident Fund Compliance:

The Provident Fund (PF) Quarterly Monitoring Report is prepared basis **3,677 business entities whose PF filing details were available for both Q4 FY 2021 and Q1 FY 2022.**

Each business entity is assigned a PF Compliance Score by Rubix based on several factors including Average delay of days in filing of PF, Current delay of

days in filing of PF, Number of instances of delayed payments, Number of inactive establishment codes etc.

The change (Deterioration/ Improvement/ No Change) in the Rubix PF Compliance Scores between Q4 FY 2021 and Q1 FY 2022 of the 3,677 business entities is shown in the table below:

Change in Rubix PF Compliance Score between Q4 FY 2021 and Q1 FY 2022

Type of Change	Number of Business Entities	%
Deterioration	1,470	40% 
Improvement	1,146	31% 
No Change	1,061	29% 
Grand Total	3,677	100%

Summary of PF Compliance:

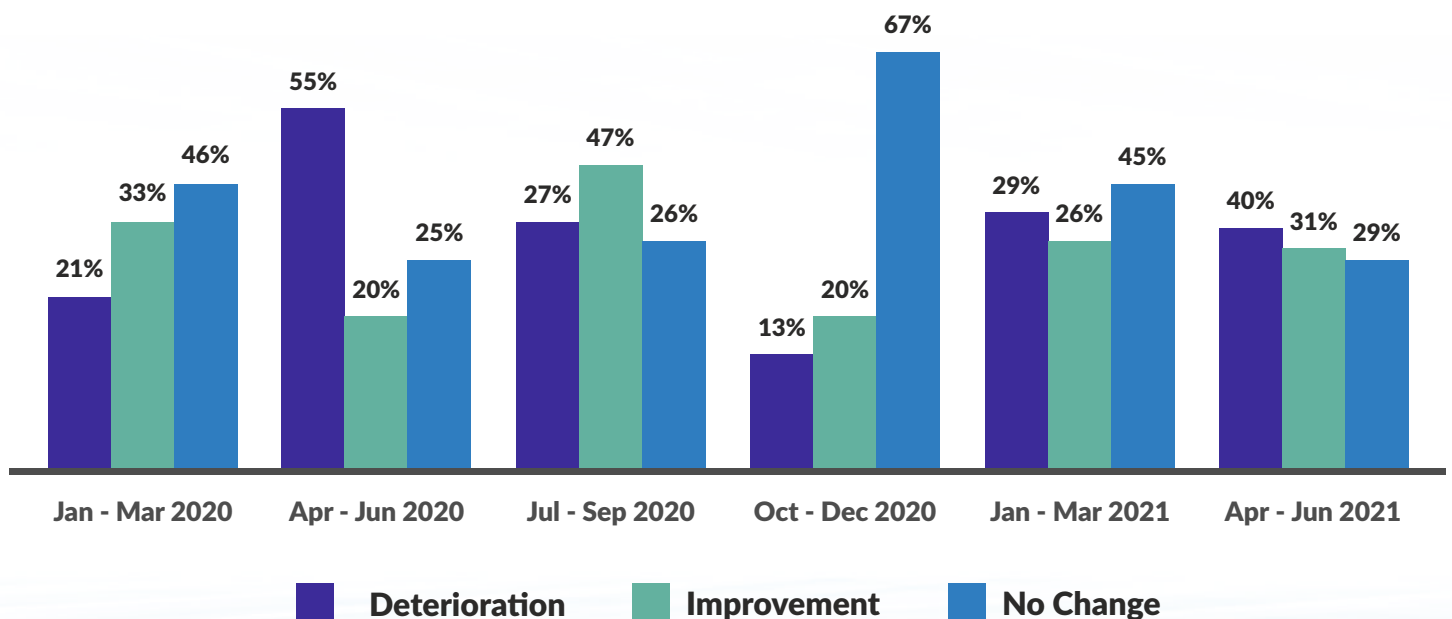
As indicated by the above table, **the Rubix PF Compliance Score of 1,470 Business Entities (40% of the total number being monitored) deteriorated between Q4 FY 2021 and Q1 FY 2022** compared to the prior quarter during which only 29% of the businesses entities had witnessed a drop in their Rubix PF Compliance Score. The percentage of business entities (40%) that witnessed a deterioration in their Rubix PF Compliance Score in Q1 FY 2022 is second only to percentage of business entities (55%) whose PF

Compliance Score deteriorated in Q1 FY 2021, at the height of the first wave of the pandemic.

There was an improvement in the Rubix PF Compliance Score of 31% of the business entities between Q4 FY 2021 and Q1 FY 2022 (versus 26% improvement recorded in the prior quarter) while the Score remained unchanged for 29% of business entities (versus 45% unchanged recorded in the prior quarter).

Quarterly Risk Transition of PF Compliance Q4 FY 2020 (Jan - Mar 2020) to Q1 FY 2022 (Apr - Jun 2021)

QoQ Change in Rubix PF Compliance Score



3 External Credit Ratings

The Quarterly Monitoring Report pertaining to external credit ratings has been prepared based on data from

1,004 business entities whose external credit ratings were available for both Q4 FY 2021 and Q1 FY 2022.

Change in Credit Ratings between Q4 FY 2021 and Q1 FY 2022

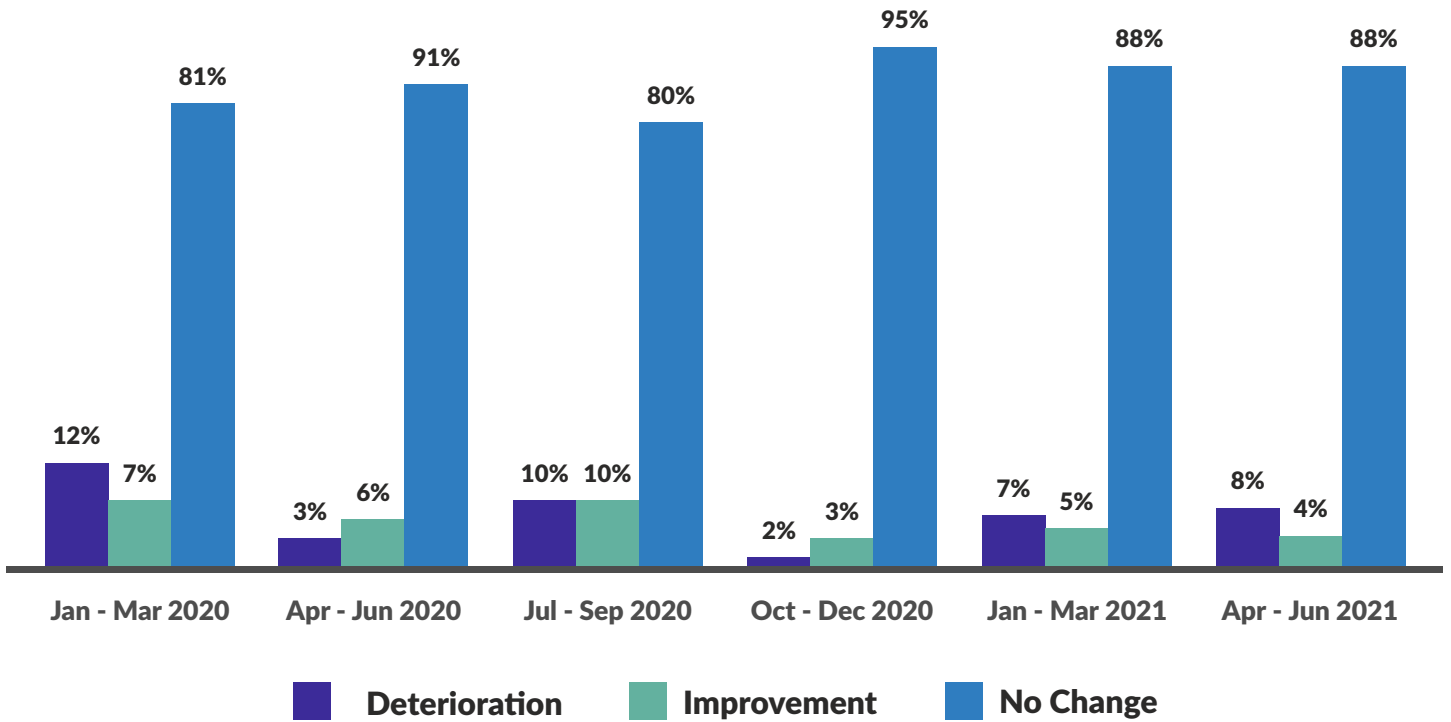
Type of Change	Number of Business Entities	%
Deterioration	82	8% ↓
Improvement	36	4% ↑
No Change	886	88% ↔
Grand Total	1,004	100%

As the above table indicates, of the 1,004 business entities that were monitored, the external Credit Ratings of 82 companies (8%) deteriorated between Q4 FY 2021 and Q1 FY 2022, marginally higher than the 7% observed

in the prior quarter. The deterioration in external Credit Ratings has impacted a lower percentage of business entities in Q1 FY 2022 than was expected.

Quarterly Risk Transition of Credit Ratings Q4 FY 2020 (Jan - Mar 2020) to Q1 FY 2022 (Apr - Jun 2021)

QoQ Change in Credit Ratings







4

Extent of Risk Deterioration in Monitored Business Entities

We then wanted to study the extent of risk deterioration in the 9,963 business entities being monitored. For this purpose, we conducted an analysis to check how many of the three Risk Variables had deteriorated for each of the companies. The three Risk Variables

were GST Compliance, PF Compliance and External Credit Rating. The more the Risk Variables in which there is a deterioration, the higher is the Risk associated with the business entity.

The table below summarises the findings:

Deterioration in Risk Variables between Q4 FY 2021 and Q1 FY 2022	Number of Business Entities	%
No Deterioration in any Risk Variable	5,689	57% 
Deterioration in 1 Risk Variable	3,843	39% 
Deterioration in 2 Risk Variables	417	4% 
Deterioration in 3 Risk Variables	14	0% 
Grand Total	9,963	100%

As the table above indicates, **3,843 business entities (39% of the total) saw a deterioration in any one of the three Risk Variables in Q1 FY 2022**; this is 10 percentage points higher than the previous quarter in which only 29% of the business entities saw a deterioration in any one risk variable.

4% of the business entities saw a deterioration in two Risk Variables in Q1 FY 2022 compared with only 1% in Q4 FY 2021. 14 business entities witnessed a deterioration in all three Risk Variables in Q1 FY 2022 compared with only 2 in the prior quarter.

The data suggests a significant worsening of the risk environment in Q1 FY 2022 due to the lockdown imposed in various states due to the second wave of the pandemic.



Rubix Data Sciences Pvt. Ltd. helps you to take prudent credit risks, build a robust supply chain and monitor compliance for your business partners in India and around the world. Set up by highly experienced Risk Professionals who have worked extensively in the credit, legal and supply chain information domains, Rubix has been awarded the Certificate of Recognition at the **IMC Digital Technology Awards 2020** in the category: Most Promising Start-Up IT Company in Enabling Digital Transformation.

The Rubix platform and its suite of reports, products and services are based on its extensive database of structured and unstructured data aggregated from over 120+ sources, customized predictive analytics and proprietary technology. Through its solutions, Rubix provides deep insights to Credit, Risk, Supply Chain and Compliance professionals in 250+ Banks, Credit Insurance Companies, Fintechs and Corporates, facilitating quicker and more effective decision-making.

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