

YCH Logistics (India) Private Limited

April 07, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	19.93 (Reduced from 23.03)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
Total Bank Facilities	19.93 (Rs. Nineteen crore and ninety three lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating assigned to the bank facilities of YCH Logistics (India) Private Limited (YCH) factors in the improvement in the TOI and profitability over the last three years ending FY20 (refers to the period April 1 to March 31), and the conversion of the SEZ to DTA aiding the growth in operations.

The rating continues to factor in the experience of the promoters of YCH, established track record of operations with benefits derived from the group's global and widespread network, strong client relationships and comfortable capital structure.

The rating is, however, constrained by the YCH's moderate scale of operations in the highly fragmented and competitive Indian logistics and warehousing industry and concentration of revenue from key clients.

Rating Sensitivities

Positive Factors

- Increase in the scale of operations with lower client concentration
- Profitability margin sustaining above 15%

Negative Factors

- Deterioration in capital structure with overall gearing exceeding beyond 0.7 – 1.0x
- Drop in profitability below 8%.
- Any delay in completion of the warehousing project in Chennai for scaling up of operations

Key rating Strengths

Growth in scale in the recent years

The company's scale of operation has witnessed growth since FY18 with incremental revenue from existing clients as well as new customers. The de-notification of the company's warehouse area from SEZ to DTA took place in FY20. Earlier, the company through the said warehouse was able to cater only to clients who operate through that SEZ and deal only in electronic items. With de-notification of the same to Domestic Tariff Area, the company has been able to provide Logistic services to clients in the domestic market which has helped the company to increase its market. The 11MFY21 turnover stands at Rs.100.34 crore and PBT of Rs.21.51 crore.

Experienced promoters and established track record of operations

YCH is a part of the Singapore-based 'YCH group' engaged in supply chain management. YCH was established in the year 2007 as a subsidiary of YCH Group Pte Ltd (Singapore) [YCH Singapore]. YCH is engaged in the business of providing end-to-end supply chain management solutions involving supply chain consulting, design and providing customised logistic solutions. It provides integrated third-party logistics services including warehousing, freight forwarding and transportation services.

YCH Singapore, established in 1955, is the flagship and holding company of the YCH group which provides end-to-end supply chain management and logistics solutions to various global companies across hi-tech/electronics, chemicals and healthcare and consumer goods industries. The group has operations spanning the Asia Pacific, including Singapore, Malaysia, Thailand, Indonesia, China, Taiwan, Hong Kong, Philippines, Australia, India, Vietnam and Korea.

Support from the parent YCH Singapore

YCH leverages upon the large network of group companies across the world, which enables the company to offer services across the value chain as well as provide a reliable network to its clients as the correspondent agents in the destination countries are YCH's group companies. YCH Singapore, the holding company, provides management and IT support services to YCH, as well as advanced warehousing and automation technology that YCH uses at its facilities. The support cost remaining unpaid to YCH (Singapore) in the form of creditors for the last few years, aggregates to Rs.14.48 crore as on December 31, 2020.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Comfortable capital structure

The debt equity ratio continues to remain comfortable at 0.10 times as of March 31, 2020. The overall gearing ratio of the company has improved to 0.23 times as on March 31, 2020 (PY: 0.29) and continues to remain comfortably low. The company is in the process of establishing a new warehouse which would be partially funded by bank loans. While the company had higher accruals in FY20, the debt coverage metrics have dropped marginally owing to higher debt. Despite the marginal drop, the debt coverage metrics are comfortable as observed from the Total debt/PBILDT at 1.19 (PY: 0.99) and Total debt/GCA at 1.54 (PY: 1.30).

Key Rating Weaknesses

Moderate scale of operation

The company's scale of operations continue to remain moderate with a total operating income of Rs.85.21 crore in FY20 and 11MFY21 total operating income of Rs. 100.34 Crs.

Client concentration risk

YCH has been consistently serving reputed clients primarily in electronics and financial services segment like Dell International Services India Pvt. Ltd, Lenovo, etc. Dell International Services India Pvt. Ltd. continued to remain the top customer of YCH and contributed to 39% of its total operating income in FY20.

Highly competitive and fragmented market

The Indian Logistics industry is highly fragmented and unorganized given the presence of innumerable players in the market and organized players account for approximately 10% of the total market share. This industry being highly fragmented and competitive in nature and dominated by unorganised players, leading to intense competition and limited pricing flexibility.

Covid Impact

The company had limited operations in the beginning of FY21. By April, the company got the request approved by the Minister of Commerce to classify IT equipment as essential services and hence the operations resumed at close to full capacity by end of April. While the cost of operations increased in these times, the company was able to pass on the costs and book satisfactory profit margins. It also introduced services like door delivery and door pick up which commanded premiums as well.

The employees were offered services like transportation/periodical medical staff visits, etc., which ensured the services were uninterrupted. The company has availed GECL loan of Rs. 4 crore as part of the covid relief scheme.

Liquidity - Adequate

The company's liquidity position is expected to be adequate with sufficient accruals against its repayment obligations in FY21 and FY22. The company gives a credit period of about 90-120 days to DELL. The other customers have been given credit periods of 60-90 days. Furthermore, the credit period from suppliers is around 45-60 days. A portion of the payables to YCH Singapore have been repaid in FY20. The creditor's days have dropped to 141 days for FY20 (PY: 175 days). The company had a free unencumbered cash balance of Rs.9.04 crore as on March 31, 2020. The average working capital utilisation for the trailing 12 months ending March 2020 stood at 71%.

Analytical approach: Standalone

Applicable criteria

[CARE's Policy on Default Recognition](#)

[CARE's Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Financial ratios –Non-Financial Sector](#)

[Rating Methodology: Service sector Companies](#)

[Liquidity analysis of Non-Financial Sector](#)

About the company

YCH Logistics India Pvt. Ltd (YCH) is a part of the Singapore-based 'YCH group' engaged in supply chain management. YCH was established in the year 2007 as a subsidiary of YCH Group Pte Ltd [YCH Singapore]. YCH is engaged in the business of providing end-to-end supply chain management solutions involving supply chain consulting, design and providing customised logistic solutions. It provides integrated third-party logistics services including warehousing, freight forwarding and transportation services. The company has its own warehouse facility of around 3 lakh sq. ft. with a capacity of around 31,000 pallets in Sriperumbudur, Chennai, and leased warehouses in various locations across India a total area of 4.79 lakh sq. ft.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	75.22	85.21
PBILDT	12.39	15.12
PAT	5.81	7.22
Overall gearing (times)	0.22	0.29
Interest coverage (times)	10.07	7.96

A: Audited; P: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	May-22	2.93	CARE BBB+; Stable
Fund-based - LT-Cash Credit	-	-	-	17.00	CARE BBB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	2.93	CARE BBB+; Stable	1)CARE BBB; Stable (06-May-20)	1)CARE BBB; Stable (02-Apr-19)	-	1)CARE BBB; Stable (08-Mar-18)
2.	Fund-based - LT-Cash Credit	LT	17.00	CARE BBB+; Stable	1)CARE BBB; Stable (06-May-20)	1)CARE BBB; Stable (02-Apr-19)	-	1)CARE BBB; Stable (08-Mar-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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