

Aegis Logistics Limited
December 28, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long term Bank Facilities	343.20 (Enhanced from Rs.274.21 crore)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	496.98 (Enhanced from Rs.421.98 crore)	CARE A1+ (A One Plus)	Reaffirmed
Total	840.18 (Rs. Eight Hundred and Forty crore and Eighteen Lakhs Only)		
Non-Convertible Debentures	16.70 (Reduced from Rs.25.00 crore)	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed

Detailed Rationale & Key Rating Drivers**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the bank facilities of Aegis Logistics Limited (ALL) continue to derive strength from ALL's established position in the liquid and gas logistics business with diversified operations, healthy growth in operational performance, extensive experience of the management, strategically located facilities, established relationship with key customers and suppliers, comfortable capital structure, debt service coverage indicators and liquidity. CARE notes that the company has commissioned most of its planned facilities and has tied up with customers.

The ratings however, continue to be tempered by low profitability margins on account of majorly fee based revenue model, dependence on import volumes for the gas business, and increasing threat of competition from newly added capacities along with risk related to reduced demand from end user industries.

The ability of the company to optimally utilize the newly commissioned facilities and earn the envisaged revenue from the same in view of increasing competition would remain the key rating sensitivity.

Detailed description of the key rating drivers**Key Rating Strengths****Experienced promoters and management**

ALL is managed by a ten-member Board of Directors, including four independent Directors. The day-to-day operations of the company are managed by team of professionals under the guidance of Mr. R. K. Chandaria, Chairman & Managing Director and Mr. Anish K Chandaria, Vice Chairman and Managing Director. The top management of the company has an average industry experience of more than three decades in related field.

Diversified products and services

The business of the Aegis group is diversified and can be broadly divided into two major categories, Liquid terminal division and Gas terminal division contributing around 31% and 69% respectively to its total PBILDT during FY18. The gas division registered significant growth both in revenue and PBILDT during FY18 on account of higher volumes and utilization of newly added capacities. Sourcing volumes improved markedly due to sharp increase in demand driven by rationalisation of LPG subsidies by the Central Government. The liquid division also registered improvement in revenue and PBILDT mainly on account capacity addition in Haldia along with higher capacity utilization at all terminals.

Established relationship with key customers with yearly contract providing partial revenue visibility

ALL caters to diverse, strong customer base with established relationship with them. The company also enters into yearly fixed price contracts with some (around 50%) of its customers. These are take-or-pay contracts whereby the customer fixes the volumes/storage capacity to be made available to them during specified period. This provides revenue visibility for the said capacity in liquids logistics division.

Comfortable capital structure, debt coverage indicators

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

ALL continues to maintain its strong financial risk profile with comfortable capital structure and debt service coverage indicators. The PBILDT interest coverage has improved from 12.72x in FY17 to 17.86x in FY18 accompanied by comfortable overall gearing at 0.24x as on March 31, 2018. The Total Debt/Gross Cash Accruals stood at 1.47x as on March 31 2018 which has improved marginally from 1.94x as on March 31 2017 on back of strong cash accruals.

Strong Liquidity and Cash flow Stability

The liquidity position remains strong with lean operating cycle, positive cash flow from operations and healthy cash accruals. The company on consolidated basis has free cash balance of Rs.210 crore as on September 2018; this along with undrawn bank lines provide significant liquidity backup.

Change in sourcing contracts with major customers mitigating forex risk

In gas sourcing, ALL acts as an arranger for its customers and suppliers with whom it has entered into back-to-back contracts with common pricing terms, forex rate and credit period terms. The company has adopted the strategy of matching realization from customers and payment to suppliers, thereby eliminating foreign exchange risk.

Key Rating Weaknesses

Increasing threat of competition

The liquid traffic has been historically low in ports like Kochi and Haldia as the amount of POL cargo handled is low when compared to ports like Mumbai, Kandla. So, the pricing power at ports like Haldia, Cochin has remained weak due to low demand for storage space. But in Ports like Mumbai, Kandla where the volume of POL traffic is relatively high and storage space availability is low, the company has good pricing power. The increase in available storage space at ports and the entry of large players would add pressure on pricing power of ALL. ALL's ability to utilize the facility depends on its ports to attract liquid cargo. Although the company has physical presence across various ports, the revenue profile of the company remains majorly inclined towards Mumbai port. Further the company is also exposed to risks related to reduction in demand from end user industries.

Risks related to planned capex

The group also has a planned capex of Rs. 400 crore which is planned to be funded by term loan of Rs. 250 crore and remaining by internal accrual. The ability of the company to execute these projects without any time/cost overrun and optimally utilize the new/expanded capacity is the key rating sensitivity.

Analytical Approach: Consolidated view on Aegis Logistics Ltd and all its subsidiaries has been taken for arriving at the ratings as the entities are under a common management, have similar line of business and financial linkages. Following subsidiaries have been considered while taking consolidated approach:

1. Sea Lord Containers Limited
2. Konkan Storage Systems (Kochi) Private Limited
3. Aegis Gas (LPG) Private Limited
4. Hindustan Aegis LPG Limited
5. Aegis Terminal (Pipavav) Limited
6. Aegis LPG Logistics (Pipavav) Limited
7. Eastern India LPG Company Private Limited
8. Aegis Group International PTE Limited, Singapore
9. Aegis International Marine Services PTE Limited, Singapore

Applicable Criteria:

Rating Methodology: Factoring Linkages in Ratings

Financial ratios – Non-Financial Sector

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

About the Company

Promoted by London based NRI, Late Mr. K. M. Chandaria and family, Aegis Logistics Ltd (ALL), formerly known as Aegis Chemical Industries Limited (ACIL), was incorporated in June 1956. ALL along with its subsidiaries provides logistic

solutions for oil, gas, chemicals and petrochemical industries. The business of the company can be divided into two broad segments Liquid logistics division and Gas Division. The liquid division owns and operates a network of bulk liquid storage terminals at Mumbai, Kochi, Haldia and Pipavav port. The gas division is involved in sourcing of LPG/Propane, owning and operating gas storage terminals, industrial & commercial distribution and auto gas retailing. The company also has filling plants, pipelines connectivity to end-users.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	3934.63	4796.92
PBILDT	207.88	271.96
PAT	132.97	213.80
Overall gearing (times)	0.33	0.24
Interest coverage (times)	12.72	17.86

Status of non-cooperation with previous CRA: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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-Cash Credit	-	-	-	9.82	CARE AA; Stable
Non-fund-based - ST-BG/LC	-	-	-	496.98	CARE A1+
Fund-based - LT-Term Loan	-	-	September 2022	88.55	CARE AA; Stable

Fund-based - LT-Term Loan	-	-	September 2022	244.83	CARE AA; Stable
Debentures-Non Convertible Debentures	May 25, 2012	10.20%	May 25 2020	16.70	CARE AA; 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	9.82	CARE AA; Stable	-	1)CARE AA; Stable (20-Dec-17) 2)CARE AA; Stable (21-Nov-17)	1)CARE AA (04-Oct-16)	1)CARE AA- (26-Oct-15)
2.	Non-fund-based - ST-BG/LC	ST	496.98	CARE A1+	-	1)CARE A1+ (20-Dec-17) 2)CARE A1+ (21-Nov-17)	1)CARE A1+ (04-Oct-16)	1)CARE A1+ (26-Oct-15)
3.	Fund-based - LT-Term Loan	LT	88.55	CARE AA; Stable	-	1)CARE AA; Stable (20-Dec-17) 2)CARE AA; Stable (21-Nov-17)	1)CARE AA (04-Oct-16)	1)CARE AA- (26-Oct-15)
4.	Debentures-Non Convertible Debentures	LT	16.70	CARE AA; Stable	-	1)CARE AA; Stable (20-Dec-17) 2)CARE AA; Stable (21-Nov-17)	1)CARE AA (04-Oct-16)	1)CARE AA- (26-Oct-15)
5.	Fund-based - LT-Term Loan	LT	244.83	CARE AA; Stable	-	1)CARE AA; Stable (20-Dec-17) 2)CARE AA; Stable (21-Nov-17)	1)CARE AA (04-Oct-16)	1)CARE AA- (26-Oct-15)

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