

Allcargo Logistics Limited

September 11, 2020

Credit Update

The promoter and promoter group of Allcargo Logistics Limited (ALL) viz. Mr. Shashi Kiran Shetty and Talentos Entertainment Private Limited holding ~70% stake in ALL as on June 30, 2020, had written to the Company's Board on August 24, 2020, communicating their intention to either individually or collectively acquire the entire outstanding equity (balance ~30% stake) in the entity and subsequently delist the scrips from the stock exchange bourses in accordance with the SEBI Delisting Regulations.

The Board of the Company has approved the above proposal of the promoters; the same will be placed before the shareholders in an Extraordinary General Meeting for their approval. The proposed transaction is expected to be completed in about six months, subject to shareholders' approval, as well as other regulatory approvals. CARE does not expect such transaction to have any material impact on the company's capital structure, other coverage ratios, and its liquidity position, as the acquisition of public shareholding is expected to be funded in promoters' personal capacity. Also, the company is in process of monetizing the warehousing assets of Logistics Parks segment during FY2021 which is expected to result in substantial debt reduction and further strengthening of credit risk profile of ALL. However, any funding support to the promoters from the company for such acquisition in form of dividends or by means of other permissible outflows may impact the financial risk profile of the company and remains a key rating sensitivity.

The ratings continue to derive strength from the established position of the company in the global less than container load (LCL) and domestic container freight station (CFS) businesses, integrated operations with diversified income profile, strong international presence, and comfortable financial risk profile. These rating strengths are partially tempered by susceptibility of ALL's operations to decline in EXIM trade volumes, intensifying competition in the CFS business, the muted capex cycle affecting the Project & Engineering solutions (P&E) business, and the susceptibility of all the business segments of ALL to global trade slowdown on account of Covid19.

Vide Press Release dated August 04, 2020 the ratings assigned to the proposed Long-Term Instruments of Allcargo Logistics Limited (ALL) have been removed from 'Credit Watch with Developing Implications' and the ratings have been reaffirmed at 'CARE AA' with Negative outlook. Also, the short term ratings have been reaffirmed at CARE A1+. The resolution of credit watch follows the completion of acquisition of majority stake of 46.8% in Gati Ltd. (Gati) by ALL for ~Rs.416 crore funded by debt of Rs.375 crore and internal accruals.

The negative outlook has been assigned to long term ratings on account of moderation in financial risk profile of the company due significant increase in debt for acquisition of Gati and construction of warehouses. Further, given the current slowdown in global trade outlook on account of the coronavirus pandemic, the company's accruals are expected to be impacted in the near to medium term.

Please refer to the press release published on August 04, 2020 on the below link:

[PR – Allcargo Logistics Limited: August 04, 2020](#)

Analytical approach:

For arriving at the ratings, CARE has considered the consolidated financials of Allcargo Logistics Limited owing to financial and operational linkages with its subsidiaries as well as common management. As on March 31, 2020, the company had 145 subsidiaries, 6 JVs, and 3 associates. The details of companies are given in Annexure 2. CARE has also combined the financial risk profile of Gati Ltd, post-acquisition, as Allcargo is the single largest shareholder with 46.8% stake in the company and enjoys management control.

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

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

[Rating Methodology - Service Sector Companies](#)

[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)

About the Company

Allcargo Logistics Limited (ALL) is an integrated logistics service provider and operates in multiple business segments - Multimodal Transport Operations (MTO), Container Freight Stations (CFS)/Inland Container Depot (ICD), Project & Engineering solutions (P&E), Contract Logistics, and Logistics Parks (LPs) in which it has forayed recently. Incorporated in 1993, as a freight-forwarding agent, ALL became a multimodal transport operator in 1998 by offering logistics services, such as consolidation of Less-than-Container Load (LCL) and full-container load cargo for exporters and importers. In 2006, the company acquired ECU Worldwide, which is one of the world's largest players in LCL segment.

As at the end of March 31, 2020, ALL owns and operates five CFSs with 2 at JNPT and 1 each in Chennai, Mundra and Kolkata with a combined capacity of 386,000 TEU (Twenty Equivalent Foot Unit) per annum. The company also operates an ICD at Dadri (in a 51:49 JV with Concor) with a capacity of 75,000 TEU per annum and has warehouses at various locations.

The international operation of ALL mainly includes global MTO (LCL consolidation) business (carried out by ECU Worldwide and its subsidiaries). This segment is the largest contributor to the gross revenue for ALL. ALL is amongst the leading players in the global LCL consolidation market with a strong network across 160 plus countries and 300 plus offices covering over 4,000 port pairs across the world.

Liquidity: Strong

Liquidity is marked by adequate accruals against repayment obligations, un-utilized bank lines, cash and liquid investments. As on June 16, 2020, the company had ~Rs.425 crore of cash and liquid investment balances. The net working capital cycle of the company is comfortable at 11 days. The average working capital utilization has remained moderate at 36% in the past 12 months ended June 2020.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-1

Annexure-1: 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.	Commercial Paper	ST	250.00	CARE A1+	1)CARE A1+ (04-Aug-20)	1)CARE A1+ (27-Sep-19)	1)CARE A1+ (08-Oct-18)	1)CARE A1+ (06-Dec-17)
2.	Debentures-Non Convertible Debentures	LT	150.00	CARE AA; Negative	1)CARE AA; Negative (04-Aug-20)	1)CARE AA (Under Credit watch with Developing Implications) (13-Dec-19) 2)CARE AA; Stable (27-Sep-19)	1)CARE AA; Stable (08-Oct-18)	1)CARE AA; Stable (06-Dec-17)
3.	Debentures-Non Convertible Debentures	LT	50.00	CARE AA; Negative	1)CARE AA; Negative (04-Aug-20)	1)CARE AA (Under Credit watch with Developing Implications) (13-Dec-19) 2)CARE AA; Stable (27-Sep-19)	1)CARE AA; Stable (08-Oct-18)	1)CARE AA; Stable (06-Dec-17)
4.	Debentures-Non Convertible Debentures	LT	200.00	CARE AA; Negative	1)CARE AA; Negative (04-Aug-20)	1)CARE AA (Under Credit watch with Developing Implications) (13-Dec-19) 2)CARE AA; Stable (27-Sep-19)	-	-

Annexure-2: List of companies considered in consolidated financials of ALL:

Sr No	Name of subsidiary
1	Hindustan Cargo Limited
2	Contech Logistics Solutions Private Limited
3	Allcargo Multimodal Private Limited
4	Avvashya Projects Private Limited
5	Avvashya Inland Parks Private Limited
6	Panvel Logistics and Warehousing Solutions Private Limited
7	AGL Warehousing Private Limited
8	Transindia Logistic Park Private Limited
9	ECU International (Asia) Private Limited
10	Combiline Indian Agencies Private Limited
11	Allcargo Inland Park Private Limited

Sr No	Name of subsidiary
12	South Asia Terminals Private Limited
13	Allcargo Logistics & Industrial Park Private Limited
14	Malur Logistics and Industrial Parks Private Limited
15	Kalina Warehousing Private Limited
16	Jhajjar Warehousing Private Limited
17	Bantwal Warehousing Private Limited
18	Panvel Warehousing Private Limited
19	Koprolu Warehousing Private Limited
20	Bhiwandi Multimodal Private Limited
21	Allcargo Warehousing Management Private Limited
22	Madanahatti Logistics and Industrial Parks Private Limited
23	Marasandra Logistics and Industrial Parks Private Limited
24	Venkatapura Logistics and Industrial Parks Private Limited
25	Transindia Projects and Transport Solutions Private Limited
26	Comptech Solutions Private Limited
27	Allcargo Belgium N.V.
28	Administradora House Line C.A.
29	AGL N.V.
30	Asia Line Ltd
31	CELM Logistics SA de CV
32	China Consolidated Company Ltd.
33	CLD Compania Logistica de Distribucion SA.
34	Contech Transport Services (Private) Limited
35	Consolidadora Ecu- Line C.A
36	ECI Customs Brokerage, Inc
37	Econocaribe Consolidators, Inc
38	Econoline Storage Corp
39	Ecu Global Services N.V.
40	Ecu International Far East Ltd.
41	Ecu International N.V.
42	Ecu Shipping Logistics (K) Ltd.
43	Ecuhold N.V.
44	Ecu-Line Algeria sarl
45	Ecu-Line Doha W.L.L.
46	Ecu-Line Paraguay SA
47	Ecu-Line Peru SA
48	Ecu-Line Spain S.L.
49	Ecu-Line Switzerland GmbH
50	Eculine Worldwide Logistics Company Limited
51	Ecu-Logistics N.V.
52	ELWA Ghana Limited
53	Eurocentre Milan srl.
54	FCL Marine Agencies B.V.

Sr No	Name of subsidiary
55	Flamingo Line Chile S.A.
56	Flamingo Line del Ecuador SA
57	Flamingo Line Del Peru SA
58	FMA-LINE France S.A.S.
59	Guldary S.A.
60	HCL Logistics N.V.
61	Integrity Enterprises Pty Ltd
62	Allcargo Logistics FZE
63	ECU Worldwide Tianjin Limited
64	OTI Cargo Inc
65	Prism Global Limited
66	PRISM Global, LLC
67	Rotterdam Freight Station BV
68	Société Ecu-Line Tunisie Sarl
69	Ecu Worldwide (Uganda) Limited
70	FMA-Line Holding N. V.
71	FMA-LINE Nigeria Ltd.
72	Jordan Gulf for Freight Services Agencies Co. LLC
73	Ports International, Inc.
74	Star Express Company Ltd
75	Ecu - Worldwide - (Ecuador) S.A.
76	Ecu - Worldwide (Singapore) Pte. Ltd
77	Ecu World Wide Egypt Ltd
78	Ecu Worldwide (Argentina) SA
79	Ecu Worldwide (Belgium)
80	Ecu Worldwide (Chile) S.A
81	Ecu Worldwide (Colombia) S.A.S.
82	Ecu Worldwide (Cote d'Ivoire) sarl
83	Ecu Worldwide (CZ) s.r.o.
84	Ecu Worldwide (El Salvador) S.P. Z.o.o S.A. de CV
85	Ecu Worldwide (Germany) GmbH
86	Ecu Worldwide (Guangzhou) Ltd.
87	Ecu Worldwide (Guatemala) S.A.
88	Ecu Worldwide (Hong Kong) Ltd.
89	Ecu Worldwide (Malaysia) SDN. BHD.
90	Ecu Worldwide (Mauritius) Ltd.
91	Ecu Worldwide (Netherlands) B.V.
92	Ecu Worldwide (Panama) SA
93	Ecu Worldwide (Philippines) Inc.
94	Ecu Worldwide (Poland) Sp zoo
95	Ecu Worldwide (South Africa) Pty Ltd
96	Ecu Worldwide (UK) Ltd
97	Ecu Worldwide (Uruguay) SA

Sr No	Name of subsidiary
98	Ecu Worldwide Australia Pty Ltd
99	Ecu Worldwide Canada Inc
100	Ecu Worldwide Costa Rica S.A.
101	Ecu Worldwide Italy S.r.l.
102	ECU Worldwide Lanka (Private) Ltd.
103	Ecu Worldwide Logistics do Brazil Ltda
104	Ecu Worldwide Mexico SA de CV
105	Ecu Worldwide Morocco S.A
106	Ecu Worldwide New Zealand Ltd
107	Ecu Worldwide Romania SRL
108	Ecu Worldwide Turkey Taşımacılık Limited Şirketi
109	PT Ecu Worldwide Indonesia
110	FCL Marine Agencies Belgium bvba
111	FMA Line Agencies Do Brasil Limited
112	Oconca Container Line S.A. Ltd.
113	Allcargo Hong Kong Ltd
114	FMA Line SA (PTY) LTD
115	Almacen y Maniobras LCL SA de CV
116	Ecu Worldwide Servicios SA de CV
117	Ecu Trucking Inc.
118	ECU Worldwide CEE S.r.l.
119	Ecu Worldwide (Kenya) Ltd
120	AGL Bangladesh Private Limited
121	Tradelog, INC
122	Spechem Supply Chain Management (Asia) Pte. Ltd
123	Ecu Worldwide (Bahrain) Co. W.L.L.
124	Allcargo Logistics LLC
125	Ecu-Line Middle East LLC
126	Eurocentre FZCO
127	Ecu-Line Abu Dhabi LLC
128	CCS Shipping Ltd.
129	China Consolidation Services Shipping Ltd
130	Allcargo Logistics China Limited
131	East Total Logistics B.V.
132	Asiapac Logistics Mexico SA de CV
133	PAK DA (HK) Logistics Ltd.
134	Ecu Worldwide China Limited
135	Ecu-Line Saudi Arabia LLC
136	Ecu-Line Zimbabwe Private Limited
137	European Customs Broker N.V.
138	Ecu Worldwide (Japan) Ltd.
139	Ecu Worldwide (Thailand) Co. Ltd.
140	Ecu Worldwide (Cyprus) Ltd.

Sr No	Name of subsidiary
141	Ocean House Ltd.
142	Ecu Worldwide Vietnam Company Limited
143	Centro Brasileiro de Armazenagem E Distribuicao Ltda (Bracenter)
144	General Export S.r.l.
145	Ecu Worldwide Baltics (Incorporated on 1st August 2018)

	Name of Associate company
1	FCL Marine Agencies GMHB (Hamburg)
2	FCL Marine Agencies GMHB (Bremen)
3	Allcargo Logistics Lanka (Private) Limited
	Name of Joint venture
1	Fasder S.A.
2	Ecu Worldwide Peru S.A.C.
3	Transnepal Freight Services Private Limited
4	Avvashya CCI Logistics Private Limited
5	Allcargo Logistics Park Private Limited
6	Altcargo Oil & Gas Private Limited

Annexure-3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Commercial Paper	Simple
2.	Debentures-Non Convertible Debentures	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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