

Apollo Supply Chain Private Limited

April 02, 2020

Ratings

| Facilities | | Amount (Rs. crore) | Rating ¹ | Rating Action |
|-------------------------|------|--|---|---|
| Long-term facilities | Bank | 24.00 | CARE BB- ; Stable (Double B minus; Outlook: Stable) | Revised from CARE BBB- (SO); Negative (Triple B Minus (Structured Obligation); Outlook: Negative) |
| Total facilities | | 24.00 (Rupees Twenty Four crore only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Apollo supply Chain Private Limited (ASCPL) revised on account of deterioration in financial profile of group during FY19 and 9MFY20 marked by continued losses at net level resulting in erosion of net worth and deterioration in capital structure, loss making subsidiaries, highly competitive nature of the industry and vulnerability of the business to trade cycles. The ratings also take into cognizance stretched liquidity profile of the company and group marked by low cash accruals generated against high debt repayments and also recent instance of delay in servicing the exchange difference raised by lenders against a SBLC availed by the Apollo Logisolutions Limited (ALS; 100% Parent Company of ASCPL).

Rating Sensitivities

Positive Sensitivities:

- Sustained improvement in total income and PBILDT beyond Rs.850 crore and 15%
- Improvement of overall gearing to lower than 3x.

Negative Sensitivities:

- Deterioration of overall gearing beyond 15x.
- Continued PAT losses in future.

Detailed description of the key rating drivers

Key Rating Weaknesses

Weak financial profile

The financial profile of the group continued to deteriorate during FY19 on account of losses at net level, erosion of net worth and further deterioration in the capital structure and other coverage indicators.

During FY19, the group (on consolidated basis) reported 5.87% moderation in the total operating income to Rs. 737.41 crore (PY: Rs. 783.42 crore) on account of moderated revenue from Apollo Supply Chain Private Limited.

The PBILDT margins of the group though improved to 9.4% in FY19 from 6.44% in FY18 mainly on account of higher realisation per TEU in FY19, continues to be low compared to the industry benchmark. Furthermore, the company continued to incur net loss of Rs. 52.43 crore (FY18: Rs.68.75 cr)

The overall gearing deteriorated to 12.29 as on March 31, 2019 from 8.47x as on March 31, 2018 on a consolidated basis on account of erosion of Networth due to continued losses from Rs. 76.47 crore as on March 31, 2018 to Rs. 52.23 crore as on Mar 31, 2019, resulting as a multiplier effect. Other coverage indicators such as interest coverage and Total Debt to GCA remained weak during FY19. During FY19, Interest coverage ratio stood at 0.97x (0.92x) and Total Debt to GCA stood at 66.96x.

Interim results: During 9MFY20, on a consolidated basis, ALS reported total income of Rs. 480.31 crore (9MFY19: 628.51 crore) and PBILDT of Rs. 61.04 crore (9MFY19: 54.32 crore) with the PBILDT margins of 12.71% in 9MFY20 (8.64% in 9MFY19).

Sale of Clarion Group: ALS Group invested AED 56 million in October, 2014 for acquiring stake in Clarion Group, however, due to decline in profitability and insufficient liquidity, the management decided to sell their stake to existing JV Partner. The deal is expected to close by June 30, 2020 from which ALS group expects to receive around Rs. 80-90 crore which is expected to be utilized for reduction of existing debt.

Delay by company in SBLC

ALS FZE took a term loan from PNB UK of Rs 12 million for purchasing Clarion logistics. USD 2.5 million was repaid earlier and hence the balance amount was \$9.5 million which was backed by SBLC of \$9.5 million from Yes Bank given by ALS. \$9.5

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

million was required to be paid to PNB UK which was not paid and hence Yes Bank received an invocation of ~INR 71.4 Crore (\$9.5 million) on 19th March 2020. The bank paid the amount to PNB, UK post liquidating lien marked FDs along with accrued interest. However, there is a shortfall in account for around INR 6.5 Crore which the bank has demanded from ALS. The shortfall is mainly on account of rupee-dollar fluctuation in recent days.

Vulnerability of business to trade cycle and competition

The fortunes of a CFS business are directly linked to foreign trade and are susceptible to variations in the EXIM & custom policies, trade volumes and shipping rates. Furthermore, the company is exposed to intense competition in the CFS business. However, the risk is mitigated to some extent as ALS and group has been able to establish its client base, improve its capacity utilization and service levels over the last few years.

Key Rating Strengths

Strong parentage and professional management team

ASCPL is Apollo Tyre group's foray into the logistics industry. The company is a subsidiary of Apollo Logisolutions Limited which held 100% equity in ASCPL as on March 31, 2019. The Apollo group is a large Indian industrial conglomerate with interests spanning across multiple domains - manufacturing of tyres, international trading of tyres and commodities, healthcare, logistics and entertainment business.

Mr Raaja Kanwar, Chairman and MD of AIL, is also the CMD of ALS. He is the elder son of Mr. Onkar Singh Kanwar, CMD of Apollo Tyres Ltd.

Adequate infrastructure

ASCPL provides air and ocean freight forwarding, contract logistics, customs clearances and other supply chain management services from its branches located across the country. It has developed adequate infrastructure to support these services and accommodate future expansions. ASCPL has its own fleet of 73 Trailers, 64 trucks, 25 Forklifts along with 92 trucks on lease. Further, it has 6,27,154 square feet area of Warehouse on Lease out of which 5,80,723 square feet area has been utilized.

Liquidity: Stretched

The liquidity profile of the group remains stretched marked by low cash accruals vis-à-vis high debt repayments and also recent instance of delay in servicing the exchange difference raised by lenders against a SBLC availed by the company. The debt servicing for FY21 for the group is around Rs.125 crore against a PBILDT of Rs.60-75 crore and thus would be highly dependent on group support and proceeds from sale of investments. The free cash & bank balance of ASCPL (standalone) remained at Rs.0.19 crore and ALS (consolidated) remained at Rs. 13.3 crore as on March 31, 2019..

Analytical approach: Consolidated. The entities consolidated are as follows:

| Subsidiaries | FY 19 | FY 18 |
|--|--|--|
| Apollo Supply Chain Private Limited | 100% | 70% |
| Kailash Shipping Services Private Limited | 100% | 100% |
| Kashipur Infrastructure and freight Terminal P Ltd | 51% | 51% |
| ALS Container Warehousing Limited | 100% | 100% |
| Modal Container Services Private Limited* | 100% held by ALS Container Warehousing Limited | 100% |
| Trend Containers Services P Ltd* | 100% held by ALS Container Warehousing Limited | 100% |
| Apollo Pacific Terminal P Ltd | 51% | 51% |
| ALS Singhamas Logistics Ltd. | 70% | 70% |
| Apollo World Connect Ltd | 100% held by Kailash Shipping Services Private Limited | 100% held by Kailash Shipping Services Private Limited |
| Apollo Everst Kool Solutions Pvt. Ltd.* | 100% held by ALS Container Warehousing Limited | 100% held by ALS Container Warehousing Limited |
| Celestial Container Warehousing P Ltd.* | 100% held by ALS Container Warehousing Limited | 100% held by ALS Container Warehousing Limited |
| Glassdoor Entertainment Ltd.* | 100% held by ALS Container Warehousing Limited | 100% held by ALS Container Warehousing Limited |
| Wifin Technologies India P Ltd. | 0 | 51.07% held by Kailash Shipping |

| Subsidiaries | FY 19 | FY 18 |
|---|--|--|
| | | Services Private Limited |
| ALS Tuticorin Terminal P Ltd. | 70% held by Kailash Shipping Services Private Limited | 70% held by Kailash Shipping Services Private Limited |
| Zon Container Management Services P Ltd. | 51% | 0 |
| ALS FZE, UAE | 100% | 100% |
| Apollo Clarion Logistics Consultancy FZCO | 51% held by ALS FZE, UAE | 51% held by ALS FZE, UAE |
| Clarion Shipping Services LLC, UAE | 49% held by Apollo Clarion Logistics Consultancy FZCO | 49% held by Apollo Clarion Logistics Consultancy FZCO |
| Clarion Logistics holding Singapore Limited | 100% held by Apollo Clarion Logistics Consultancy FZCO | 100% held by Apollo Clarion Logistics Consultancy FZCO |
| Apollo Clarion Africa Services Limited | 100% held by Apollo Clarion Logistics Consultancy FZCO | 100% held by Apollo Clarion Logistics Consultancy FZCO |
| Clarion Shipping Services LLC, Oman | 70% held by Clarion Shipping Services LLC, UAE | 70% held by Clarion Shipping Services LLC, UAE |
| Clarion Shipping Services WLL, Qatar | 49% held by Clarion Shipping Services LLC, UAE | 49% held by Clarion Shipping Services LLC, UAE |
| Alfayha Transport LLC, Oman | 70% held by Clarion Shipping Services LLC, UAE | 70% held by Clarion Shipping Services LLC, UAE |
| Clarion Shipping & Logistics Saudi Arabia Ltd. | 100% held by Clarion Shipping Services LLC, UAE | 100% held by Clarion Shipping Services LLC, UAE |
| Clarion International Freight & Logistics SDN BHD, Malaysia | 100% held by Clarion Logistics holding Singapore Limited | 100% held by Clarion Logistics holding Singapore Limited |

*These companies have been merged with ALS Container Warehousing Limited with effect from Jan. 24, 2020.

Applicable Criteria

[CARE's criteria on assigning outlook and credit watch to credit ratings](#)

[CARE's policy on Default recognition](#)

[CARE's criteria on Short term Instruments](#)

[CARE's methodology for Service Sector Companies](#)

[Financial Ratios-Non Financial sector](#)

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

About the Company

ASCPL was incorporated on October 31, 2012, as a joint venture between ALS and Fiege International Beteiligungs GmbH (FIBG) with shareholding in 70:30 ratio. ASCPL was earlier known as ALCO Logistics Private Limited and prior that known as Apollo Fiege Integrated Logistics P Ltd. As on March 31, 2019, ASCPL is a 100% subsidiary of Apollo Logisolutions Limited. It is primarily an asset light company that provides air and ocean freight forwarding, contract logistics, customs clearances and other supply chain management services from its branches located across the country. The company provides mainly door to door, airport-door, door-airport and airport-airport service. AFIL is affiliated with the relevant industrial bodies such as IATA, CHA, etc, to aid in its operations. Exports contributed ~4.28% of total sales in FY19 and ~4.95% of total sales in 9MFY20.

ALS is a subsidiary of Apollo International Limited which was incorporated in January 2007. The company started its logistics business by acquiring an operational company, Seaport Container Terminal Private Ltd, which was operating a CFS at Mulund (Mumbai). The CFS has since ceased to operate.

ALS is operating a CFS at Panvel, 32 km from JNPT near Mumbai since October 2009. The total installed capacity as on December 31, 2019, stood at 120,000 TEUs per annum and is spread across an area of 50 acres. ALS is engaged in the business of handling of export & import cargo, refrigerated cargo, etc. and is also engaged in services such as warehousing, stuffing & de-stuffing, carting services, etc. ALS handled 70,300 TEU in FY18; 64,404 TEU in FY19 and 39,152 TEU in 9MFY20

| Brief Financials (Rs. crore) Consolidated | FY18 (A) | FY19 (A) |
|---|----------|----------|
| Total operating income | 783 | 737 |
| PBILDT | 50 | 69 |
| PAT | (69) | (52) |
| Overall gearing (times) | 8.47 | 12.29 |
| Interest coverage (times) | 0.92 | 0.97 |

A: Audited

Fig. rounded off to nearest decimal place

| Brief Financials (Rs. crore) Standalone | FY18 (A) | FY19 (A) |
|---|----------|----------|
| Total operating income | 270 | 186 |
| PBILDT | (1) | (2) |
| PAT | (5) | (16) |
| Overall gearing (times) | (16.14) | (5.23) |
| Interest coverage (times) | (0.34) | (0.22) |

A: Audited

Fig. rounded off to nearest decimal place

Status of non-cooperation with previous CRA: NA

Any other information: NA

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-Cash Credit | - | - | - | 24.00 | CARE BB-; 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 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1. | Fund-based - LT-Cash Credit | LT | 24.00 | CARE BB-; Stable | - | 1)CARE BBB- (SO); Negative (29-Mar-19) | 1)CARE BBB- (SO); Stable (29-Dec-17) 2)CARE BBB (SO); Negative (09-May-17) | - |

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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