

## YCH Logistics (India) Private Limited

April 02, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	31.00 (enhanced from 20.06)	<b>CARE BBB; Stable</b> <b>[Triple B; Outlook: Stable]</b>	Reaffirmed
<b>Total Facilities</b>	<b>31.00</b> <b>(Rupees Thirty One crore only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to bank facilities of YCH Logistics (India) Private Limited (YCH) continues to derive strength from the experience of the promoters of YCH, strong management team in the logistics and supply chain industry, strong client relationships, benefits derived from the group's global and widespread network and the continued support extended by YCH's parent by way of extended credit period on its payables. The rating also factors in the ongoing debt funded capex for de-notification of significant portion of its warehouse under Special Economic Zone (SEZ) to Domestic Tariff Unit (DTA) and the expected benefits to be realized going ahead. The rating, however, is constrained by the YCH's moderate scale of operations in the highly fragmented and competitive Indian logistics and warehousing industry, concentration of revenue from key clients, decline in revenues in FY18 (refers to the period April 01 to March 31). Going forward, ability of the company to complete the project on time and within cost estimate, scale up operations with higher occupancies in its warehouses and continued support from its parent would be key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Experienced promoters:** Mr Yap Ai Cheng is the Chairman and C.E.O of the group who has been in the logistics and SCM business for over 30 years. The other Directors of the group are the family members of the Chairman, who also have more than 15 years of experience in the industry. Started from Singapore in 1955, the YCH group today has presence in all the major South East Asian countries viz. Malaysia, Thailand, Vietnam, Taiwan, Philippines and Cambodia. Apart from this the group has presence in Australia, Mexico, China and the United Kingdom.

**Support from the parent YCH Singapore by way of extended credit on its payables:** 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) for the last few years, aggregates to Rs.26.02 crore as on March 31, 2018 as against Rs.29.90 crore as on March 31, 2017. As per the management, these outstanding payables to holding company either will be paid later once sufficient profits are generated by YCH or will be converted to equity.

**Comfortable capital structure though expected to be marginally leveraged owing to on-going capex:** With significant cash balance of Rs. 17.23 crore as on March 31, 2018 as compared to total debt outstanding of Rs.16.21 crore, net debt is nil, liquidity position and capital structure of the company continue to remain highly comfortable. However, with the ongoing debt funded capex being undertaken by the company for de-notification of relatively large size warehouse from SEZ unit to DTA, with the project outlay of Rs.14.96 crore funded through total debt of Rs.11.97 crore and balance through internal accruals, leverage levels are expected to deteriorate marginally in medium term; nevertheless, same are expected to be in comfortable levels.

**Comfortable liquidity position backed by continued support from the promoter:** Working capital cycle of the company remained negative 51 days for FY18 (FY17: -58 days) owing to the high creditor period of 191 days during FY18 (FY17: 187 days). Majority of the payables are the unpaid dues for the services provided by the parent company, either will be paid later once sufficient profits are generated by YCH or will be converted to equity. Also company had considerable cash balance of Rs.17.23 crore as on March 31, 2018.

#### Key Rating Weaknesses

**Fall in revenues and profitability levels during FY18; however the same is expected to improve going forward:** During FY18, with the scale down in e-commerce clients and withdrawal of relationship by NCR Corporation, has resulted in a considerable drop in total operating income by 27.16% y-o-y, from Rs.95.10 crore in FY17 to Rs.69.27 crore in FY18. Further with the weak absorption of the operational overheads, PBILDT margin has also significantly come down by 902

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

bps from 16.91% during FY17 to 7.89% during FY18. Nevertheless, with acquisition of new clients and de-notification of SEZ unit to DTA unit, the top line and margins expected to improve from FY20 onwards.

**Client concentration risk:** Dell's contribution to the company's total operating income during FY18 stood at around 46%. YCH realizes significantly large revenue warehouse income from DELL where YCH was appointed to handle the warehouse operations in DELL's Domestic Tariff Area (DTA) units across India. Though, there exists a significant client concentration risk, given the long standing relationship with Dell, same is mitigated to an extent.

#### Analytical approach

Standalone

#### Applicable Criteria

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

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

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

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

#### About the Company

YCH is part of 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 customized logistic solutions. It provides integrated third party logistics services including warehousing, freight forwarding and transportation services.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	95.10	69.27
PBILDT	16.09	5.47
PAT	7.36	1.65
Overall gearing (times)	0.09	0.33
Interest coverage (times)	13.22	7.30

A: Audited

#### Status of non-cooperation with previous CRA:

Not Applicable

#### Any other information:

Not Applicable

**Rating History for 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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**Annexure-1: Details of 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	-	-	September 2024	14.00	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 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-Term Loan	LT	14.00	CARE BBB; Stable	-	1)CARE BBB; Stable (08-Mar-18)	1)CARE BBB; Stable (30-Jan-17)	1)CARE BBB (02-Feb-16)
2.	Fund-based - LT-Cash Credit	LT	17.00	CARE BBB; Stable	-	1)CARE BBB; Stable (08-Mar-18)	1)CARE BBB; Stable (30-Jan-17)	1)CARE BBB (02-Feb-16)

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