

YCH Logistics (India) Private Limited

May 6, 2020

Rating

Facility	Amount (Rs. crore)	Rating ^[1]	Rating Action
Long-term Bank Facilities	23.03 (reduced from 31)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total	23.03 (Rs. Twenty three crore and three lakh only)		

Details of facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of YCH Logistics (India) Private Limited (YCH) continues to derive strength from 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 the continued support extended by YCH's parent by way of extended credit period on its payables.

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

- Completion of the on-going capital expenditure for conversion of the Special Economic Zone to Domestic Tariff Area for its facility at Sriperumbudur and subsequent scaling up of operations
- Profitability margin sustaining above 15%

Negative Factors

- Deterioration in capital structure with overall gearing exceeding beyond 0.7 – 1.0x
- Any significant impact on the operational and financial performance of the company due to nationwide lock-down imposed to contain Covid-19 outbreak.

Key rating Strengths
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. YCH Singapore, established in 1955, is the flagship and holding company of the YCH group. 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 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 in the form of creditors remaining unpaid to YCH (Singapore) for the last few years, aggregates to Rs.22.52 crore as on March 31, 2019 as against Rs.26.02 crore as on March 31, 2018.

Comfortable capital structure

The debt equity ratio continues to remain comfortable at 0.07 times as of March 31, 2019. However, owing to the high working capital outstanding as on March 31, 2019, the overall gearing ratio of the company has moderated to 0.22x and 0.27x as on March 31, 2019 and March 31, 2020 respectively.

Key Rating Weaknesses
Moderate scale of operation

The company's scale of operations continue to remain moderate with a total operating income of Rs.75.22 crore in FY19 and Rs.84.5 crore in FY20 (provisional).

Client concentration risk

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

YCH has been consistently serving reputed clients primarily in electronics and financial services segment like Dell International Services India Pvt. Ltd, Diebold etc. Dell International Services India Pvt. Ltd. continued to remain the top customer of YCH and contributed to 44% of its total operating income in FY19.

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 highly fragmented and competitive in nature, dominated by unorganised players, leading to intense competition and limited pricing flexibility.

Prospects

The company offers supply chain solutions to various sectors such as electronics, financial services, healthcare, etc which are relatively less affected by the impact of COVID-19. The company generates major income from the warehouse storage charges followed by transportation charges. Going forward, maintaining healthy occupancy levels in the increased Domestic Tariff Area in its Sriperumbudur and other warehouse facilities translating into increase in the scale of operations and profitability would be key for its prospects.

Liquidity - Adequate

The company's liquidity position is expected to be adequate with sufficient accruals against its repayment obligations in FY21. Working capital cycle of the company remained negative 52 days for FY19 (FY18: -52 days) owing to the high creditor period of 175 days during FY19. 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. The company's average utilisation for the past 12 months ended March 2020 was 71%. The company had a cash balance of Rs.12.7 crore as on March 31, 2019 and Rs.8.7 crore as on March 31, 2020 (provisional).

Analytical approach: Standalone

Applicable criteria

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

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

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

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

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 91 leased warehouses in various locations across India as of April 2020.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	FY20 (P)
Total operating income	69.27	75.22	84.53
PBILDT	5.48	12.39	14.63
PAT	1.65	5.81	7.00
Overall gearing (times)	0.33	0.22	0.27
Interest coverage (times)	7.30	10.07	8.98

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	-	-	September 2024	6.03	CARE BBB; Stable

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	-	-	-	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	6.03	CARE BBB; Stable	-	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 (02-Apr-19)	-	1)CARE BBB; Stable (08-Mar-18)

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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