

## Press Release

### YCH Logistics India Private Limited

August 22, 2022

### Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	27.00	ACUITE A-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	27.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A Minus**) on the Rs.27.00 Cr bank facilities of YCH Logistics India Private Limited (YCH). The outlook is '**Stable**'.

The rating is reaffirmed taking cognizance of company's healthy business risk profile supported by its established market position, experienced management, presence as end-to-end logistic service provider with strong infrastructure and manpower, healthy financial risk profile, moderate scale of operations and stable EBITDA margins. The rating is constrained by susceptible to economic slowdown and government regulations, other industry-related risks in the competitive and fragmented logistics industry.

### About the Company

YCH Logistics (India) Private Limited (YCH) is a part of the Singapore-based 'YCH group' engaged in supply chain management. YCH was established in the year 2002 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 4 lakh sq. ft. in Sriperumbudur, Chennai, and 56 leased warehouses in various locations across India of ~ 1.5 million sq. ft.

### Analytical Approach

Acuite has taken the standalone view of the business and financial risk profile of YCH to arrive at the rating.

### Key Rating Drivers

#### Strengths

#### Established track record, extensive industry experience of the promoters

YCH Singapore, established in 1955 by Late Mr Yap Chwee Hock, is the flagship and holding company of the YCH group which provides end-to-end supply chain management and logistics solutions to various diversified industries such as Chemical & Healthcare, Cold Chain, Consumers & Retail, E-Commerce, Electronics & Technology, and Connectivity industries among others. YCH Group's current Executive Chairman, Dr. Robert Yap (eldest son of Mr Yap Chwee Hock) has been in the logistics and SCM business for over 40 years now. 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. YCH had DistriParks and supply chain hubs are which are strategically located in more than 100 key cities across Greater China, India, Malaysia, Thailand, Indonesia, Philippines, Vietnam, Australia and Korea. It provides management and IT support services to YCH, as well as advanced warehousing and automation technology at its facilities. Acuite believes that the well-experienced management team having vast exposure in the supply chain solutions industry, established relations with its stake holder's shall enable its YCH's future growth.

#### Diversified and consistent growth in revenue, reputed customer base coupled with well-established distribution network

Over the last four years, YCH's revenues witnessed a healthy Compound Annual Growth Rate (CAGR) of 17%, reaching Rs. 130.10 Cr in FY2022 (provisional) as against Rs.110.43 Cr in FY2021. The revenue growth was primarily driven by an increase in volumes handled and constant inflow of revenues from new and existing customers. The scale of operations is moderate though. In terms of YCH's revenue mix, around 10 % came from Packing and Destination Handling Charges, 20 % from Transport Charges and 70% from Warehouse Storage Revenue divisions. The company has established relationships with its top customers, which helped YCH secure repeat business. YCH's top clientele comprises renowned companies like Dell International Services India Private Limited, Home Interior

Designs E-commerce Private Limited, Lenovo (India) Private Limited, Wistron Corporation among others. YCH has diversified its operations into logistics business with 56 leased warehouses in various locations across India giving pan-India coverage. Presence at multiple locations provides diversification in terms of geography as well as commodities to be handled based on the geographical demand. Acuité believes that this shall enable the company to acquire new clients with better rate realisation and ensure steady cash flows going ahead.

### **Presence as end-to-end logistic service provider with strong infrastructure and manpower**

YCH is an end-to-end logistic service provider. It provides services like stevedoring, Customs' documentation handling, warehousing and storage, freight forwarding, empty container depot operations, inland container depots, steamer agent activities, CFS Operations and transportation and also consulting activities. The YCH operates through various ports in Chennai. The company is having its own fleet of vehicles and handling equipment & Transport fleet of vehicles, like Trailers, Tippers, Dumpers, Loaders, Reach Staker, Empty Container Handler, Procliners, Cranes, and Forklifts etc. Acuité believes that the YCH's presence in end-to-end logistic services with strong infrastructure and manpower would aid its business risk profile over the medium term. Acuité believes that promoter's extensive experience in logistic services would aid the business risk profile of the company over the medium term.

### **Improving EBITDA Margins**

YCH's EBITDA margins have been rising due to better absorption of fixed and overhead costs and increased scale of operations. The EBITDA margin rose to 28.40% in FY22 (FY21: 27.66 %; FY20: 17.24 %). The company's ROCE was improved to 34.08 % in FY22 (FY21: 29.46 %, FY20: 14.69 %). Acuité expects that the company's revenue will grow by a modest year over year, and operating margins will continue at their present levels.

### **Healthy financial risk profile**

YCH's financial profile is healthy as marked by healthy capital structure, strong coverage indicators. Due to the sizeable dividend payment in as on March 31, 2022 of Rs.22.55Cr (Rs.1.10pershare) (March 31, 2021: Rs. Nil). The company net worth reduced from Rs. 80.75 Cr. as of March 31, 2021, although it remains healthy at Rs. 80.45 Cr. as of March 31, 2022. (Provisional)). The capital structure remains healthy with gearing (debt-to-equity) 0.13 times and total outside Liabilities to Tangible Net Worth (TOL/ TNW) 0.62 times as on March 31, 2022 (provisional) vis-à-vis 0.17 times and 0.59 times as on March 31, 2021 due to limited capex requirements and resulting in low external borrowings. The company's coverage indicators are strong over the last three years indicated by interest coverage ratio (ICR) 28.77 times and Net Cash Accruals (NCA)/Total Debt (TD) stood healthy at 2.60 times for FY2022 vis-à-vis 20.99 times and 1.77 times respectively in FY2021. Acuité expects the financial risk profile to remain healthy over the medium term on account of healthy accretion to reserves, absence of significantly debt funded capex and moderate profitability margins.

### **Weaknesses**

#### **Working-capital-intensive distribution business marked by high GCA days**

The company operations are working capital intensity of operations due to high debtor days and other current assets. YCH has gross current asset days (GCA) days in the range of 179-234 days for past three fiscals ended FY2022. GCA days were at high level driven by debtor days of 118-137 days over past three fiscals ended FY 2022. Its creditor's days stood at 224-701 days for past three fiscals ended FY2022. The support cost remaining unpaid to YCH (Singapore) in the form of creditors for the last few years, aggregates to Rs.16.78 crore as on March 31, 2022. The support from its creditors resulted in the working capital limits utilisation at about 49 percent over the past six months ended June, 2022. Acuité believes that in the absence of any large capital expenditure, net cash accrual and unutilized bank lines should be sufficient to cover incremental working capital requirement over the medium term yet operations are expected to remain working capital intensive.

#### **Revenue growth remain susceptible to economic slowdown and government regulations**

The YCH's revenue growth remains susceptible to the global economic slowdown in overall economic activity, intense competition and limited pricing/bargaining power which could impact its operations and the changes in the government's policies on export-import trade. The variations in Exim trade volumes also impact the overall sales. However, the favourable long-term prospects for container traffic and the Group's established relationships with all the major shipping lines along with its integrated presence in the logistic chain and port operations mitigate the risk to an extent.

### **ESG Factors Relevant for Rating**

Not Applicable

### **Rating Sensitivities**

- Healthy growth in operating income and improvement in profit margins on a sustained basis
- Maintenance of a comfortable financial risk profile and adequate liquidity
- Stretched working capital cycle or any large, debt-funded capex weakening the financial risk profile and liquidity
- Higher dividend pay-out or debt funded capex adversely impacting the financial risk profile

### **Material covenants**

None

### **Liquidity Position: Adequate**

YCH's liquidity is adequate liquidity marked by healthy net cash accruals to its maturing debt obligations and efficient bank utilisation; albeit constrained by high gross current assets (GCA) days. The company generated cash accruals of Rs.11 Cr to 27 Cr during the last three years through 2020-22, while its maturing debt obligations were at Rs.1.00 Cr to

4.50 Cr over the same period. The cash accruals are estimated to remain around Rs.28 Cr to 32 Cr during 2021-23 while their repayment obligations are around Rs.2.50 Cr to 5.00 Cr during the same period. Its operations are highly working capital intensive with GCA of about 179 days in FY2022; comfortable cash accruals and healthy support from its creditors led to lower reliance on working capital borrowings at 49 per cent during the last 6 months period ended June, 2022. The YCH maintains unencumbered cash and bank balances of Rs.23.81 Cr as on March 31, 2022. The current ratio stood moderate at 1.70 times as on March 31, 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against its repayment obligations and its internal accruals and liquid surplus to be sufficient to meet its incremental working capital requirements. The company had declared dividends of Rs.22.55 Cr in fiscal 2022 and no major dividend is not to be declared in fiscal 2023. However, any large dividend payouts will remain monitorable.

### Outlook: Stable

Acuité believes that YCH will continue to benefit over the medium term due to its experienced management and established relation with its suppliers and customers. The outlook may be revised to 'Positive', in case of continued traction in revenues and sustainable profitability with improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case YCH registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leads to deterioration of its financial risk profile and liquidity.

### Other Factors affecting Rating

Not Applicable

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	130.10	110.43
PAT	Rs. Cr.	21.90	18.59
PAT Margin	(%)	16.83	16.83
Total Debt/Tangible Net Worth	Times	0.13	0.17
PBDIT/Interest	Times	28.77	20.99

### Status of non-cooperation with previous CRA (if applicable)

YCH has not cooperated with Care Ratings which has classified it as non-cooperative vide release dated March 14, 2022. The reason provided by Care Ratings is non-furnishing of information for monitoring of ratings.

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Jun 2021	Term Loan	Long Term	3.33	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	17.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	0.25	ACUITE A- Stable (Assigned)
	Working Capital Term Loan	Long Term	4.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	2.42	ACUITE A- Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A-   Stable   Reaffirmed
Axis Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	3.67	ACUITE A-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.08	ACUITE A-   Stable   Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.44	ACUITE A-   Stable   Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.81	ACUITE A-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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