Press Release
YCH Logistics India Private Limited
October 26, 2023
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	-	-

Rating Rationale

Rating Rationale

Acuité 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**'.

Rationale for Reaffirmation

The rating takes into cognizance the sound business risk profile of the company majorly driven by the composite nature of business where it provides end-to-end solution in logistics and warehousing. The revenue from operations which increased to Rs. 149.06 Cr. in FY2023(Provisional) compared to Rs. 130.66 Cr. The increase in revenues has been on account of its warehouse located in Chennai SEZ becoming fully operational. Further due to spike in demand, the Company, increased its leased warehousing facility from 56 to 64 units in FY2023 across the country mostly in South and West India. The rating also draws comfort from its established market position, experienced management, presence as end-to-end logistic service provider with strong infrastructure and manpower and healthy financial position, characterized by healthy net worth base and low gearing and strong debt protection metrices.

However, these strengths are partially offset by the company's intensive working capital management reflected by high Gross Current Asset (GCA) days. The rating is further constrained by susceptibility 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 in Sriperumbudur, Chennai SEZ, and has increased its leased warehouses from 56 to 64 in FY2023 in various locations across India.

Standalone (Unsupported) Rating

None

Analytical Approach

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

Key Rating Drivers

Strengths

- **Diversified business profile with long track record**

Established in 1955 by the late Mr. Yap Chwee Hock, YCH Singapore serves as the flagship and holding company for the YCH group. This group specializes in providing comprehensive supply chain management and logistics solutions to diverse industries, including Chemical & Healthcare, Cold Chain, Consumers & Retail, E-Commerce, Electronics & Technology, and Connectivity. Dr. Robert Yap, the current Executive Chairman and eldest son of Mr. Yap Chwee Hock, brings over 40 years of experience in the logistics and SCM business. Other directors, who are family members of the Chairman, contribute with more than 15 years of industry expertise. YCH Singapore operates DistriParks and supply chain hubs strategically positioned in over 100 key cities across Greater China, India, Malaysia, Thailand, Indonesia, Philippines, Vietnam, Australia, and Korea. These facilities offer advanced warehousing, automation technology, and management and IT support services to YCH for its operations in India. The day-to-day operations of the Company are being managed by Mr. Debashish Mohanty. Acuité believes that the seasoned management team's extensive exposure in the supply chain solutions industry, coupled with established relations with stakeholders, will pave the way for YCH's growth over the medium term.

The company has a diversified business profile as reflected from its three business divisions, namely warehouse storage revenue, transport charges and destination handling charges with 60%, 29% and 11% contribution to revenue in FY2023. Moreover, the company has a strong customer base which helps YCH secure repeat business. Its healthy customer base, including major players like Dell International Services India Private Limited, Lenovo (India) Private Limited, and Apple, contributes to repeat business. YCH strategically extends its logistics operations with 64 leased warehouses across India, ensuring Pan-India coverage. With the Chennai SEZ warehouse, the Company is expecting to add new customers to its existing base. It already has Dell and Apple as clients in the Chennai SEZ warehouse. Acuité believes that the diversified revenue streams provide a holistic end-to-end customer experience and positions the company for acquiring new clients, better rate realization, and consistent cash flows.

- **Establishing an end-to-end logistics service presence with strong infrastructure and skilled workforce**

YCH serves as a comprehensive logistics service provider, offering a range of services such as stevedoring, customs documentation handling, warehousing, storage, freight forwarding, empty container depot operations, inland container depots, steamer agent activities, CFS operations, transportation, and consulting. Operating across multiple ports in Chennai, the company possesses its own fleet of vehicles and handling equipment, including trailers, tippers, dumpers, loaders, reach stackers, empty container handlers, procliners, cranes, and forklifts. Acuité anticipates that YCH's end-to-end logistics presence, supported by robust infrastructure and a skilled workforce, will enhance its business risk profile in the medium term. The promoter's extensive experience in logistics is seen as a further strength contributing to the company's medium-term business risk profile.

- **Steady scale of operations**

The revenue of the company stood at Rs.149.06 crore in FY2023(Provisional) as compared to Rs.130.66 crore in FY2022, mainly due to higher contributions from the warehouse storage revenue, transport charges and destination handling charges. The growth stemmed from higher handled volumes and a steady stream of revenue from both new and existing customers. The company has already attained revenues of Rs. 85.00 Cr for 6 months ended September 2023 for FY2024. The Company is in advance talks with a few companies for new customer acquisitions, which gives revenue visibility over the medium term.
However, the company's profitability faced a setback, with the operating profit margin declining to 27.56 percent in FY2023(Provisional) from 29.22 percent in FY2022, primarily due to reduced absorption of fixed and overhead costs.

Moreover, the net profitability margin dipped to 17.07 percent in FY2023(Provisional), compared to 19.25 percent in FY2022. Acuité believes that the profitability margin will see remain at similar but healthy levels over the medium term.

- **Healthy financial risk profile**

The company's financial risk profile is marked by healthy net worth, comfortable gearing and strong debt protection metrics. The tangible networth of the company stood at Rs.109.14 Cr as on March 31, 2023(Provisional) from Rs.83.35 Cr as on March 31, 2022 due to accretion of reserves. Furthermore, its capital structure remains leveraged, marked by the gearing of the company of 0.33 times as on 31 March 31, 2023(Provisional). The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.75 times as on March 31, 2023(Provisional). The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 14.73 times and Debt Service Coverage Ratio at 5.42 times as on March 31, 2023(Provisional). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.87 times as on March 31, 2023(Provisional).
Acuité believes that the financial risk profile of the company will likely remain healthy, supported by healthy networth, comfortable gearing and strong debt protection metrics over the medium term.

Weaknesses

- **Working capital intensive nature of operation**

The working capital management of the company is intensive marked by high Gross Current Assets (GCA) of 203 days as on 31st March 2023(Provisional) as compared to 194 days as on 31st March 2022. The GCA days is high primarily on account of high receivables. The debtors stood at 106 days in FY2023(Provisional) compared to 130 days in FY2022. Further, the GCA days of the company has also emanates from the other current asset, which mainly consists of advance taxes paid to the tune of Rs. 23.03 Cr and other loans and advances for about Rs.4.50 Cr. The fund based limit remained utilized at ~53.22 per cent over the eleven months ended August, 2023. Against this, the company has dependence on its suppliers to support the working capital; creditors stood high at 125 days as on March 31, 2023(Provisional). Acuité believes that the working capital requirements of the company will remain at similar level over the medium term and any stretch in receivables will remain a key monitorable.

- **Revenue growth and margins remain susceptible to economic downturns and government regulations**

YCH's revenue growth is vulnerable to the global economic slowdown, heightened competition, and constrained pricing flexibility, potentially affecting its operations. Fluctuations in government policies regarding export-import trade also pose a risk. Changes in Exim trade volumes directly influence overall sales. Despite these challenges, the company benefits from favourable long-term prospects in container traffic. Established relationships with major shipping lines, coupled with its integrated position in the logistics chain and port operations, help mitigate some of these risks.

Rating Sensitivities

- Healthy growth in operating income and improvement in profit margins on a sustained basis
- High debt-funded capital expenditure in the near to medium term
- Elongation of working capital cycle due to stretch in receivables

All Covenants

None

Liquidity Position

Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.31.21 Cr as on

March 31, 2023 (Provisional) as against long term debt repayment of Rs.3.47 Cr over the same period. The current ratio stood comfortable at 1.82 times as on March 31, 2023(Provisional). The unencumbered cash and bank balances of Rs.27.55 Cr as on March 31, 2023(Provisional). Further, the fund based limit remained utilized at ~53.22 per cent over the eleven months ended August, 2023. However, working capital management of the company is intensive marked by improving high Gross Current Assets (GCA) of 203 days in 31st March 2023(Provisional) as compared to 194 days in 31st March 2022. Acuité believes that going forward the company will continue to maintain adequate liquidity position owing to steady accruals backed by improvement in earnings led by high demand.

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 increased 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 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	149.06	130.66
PAT	Rs. Cr.	25.44	25.15
PAT Margin	(%)	17.07	19.25
Total Debt/Tangible Net Worth	Times	0.33	0.29
PBDIT/Interest	Times	14.73	27.09

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
Not Applicable

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
In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Aug 2022	Cash Credit	Long Term	17.00	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	1.81	ACUITE A- | Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	4.08	ACUITE A- | Stable (Reaffirmed)
	Term Loan	Long Term	0.44	ACUITE A- | Stable (Reaffirmed)
	Covid emergency line	Long Term	3.67	ACUITE A- | Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.62	ACUITE A- | Stable | Reaffirmed
Axis Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.22	ACUITE A- | Stable | Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	14.16	ACUITE A- | Stable | Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022–49294017 mohit.jain@acuite.in Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 dipti.choudhary@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.