



October 4, 2010

ICRA downgrades ratings assigned to the bank facilities of Apollo International Limited; assigns a stable outlook

ICRA has downgraded the rating assigned to Rs. 70 crore,³ non-fund based facilities of Apollo International Limited (AIL) to LBBB+ (pronounced L triple B plus) from LA- (pronounced L A minus). ICRA has also downgraded the rating assigned to the Rs. 64.5 crore, fund-based facilities and the Rs. 40 crore, non-fund based facilities of AIL to A2+ (pronounced A two plus) from A1 (pronounced A one). ICRA has also assigned a 'stable' outlook to the long-term rating.

The rating revision takes into account the weaker than expected performance of AIL in 2009-10, both on standalone as well as consolidated levels; realignment in business operations with tyre exports being handled by an overseas associate concern resulting in decline in the value being captured in AIL and increased dependence on the volatile business of International Business Division on a standalone level; as well as weak performance of its subsidiaries. The financial performance of AIL witnessed decline in revenues from tyre trading in 2009-10 because of poor demand conditions for Indian tyre exports in the Middle Eastern region, the key export market for the company. Additionally, the company's focus in tyre trading operations has been on increasing trade of non-Apollo tyres.

The consolidated financial profile of AIL is constrained by the weak financials of its subsidiaries. Apollo Logisolutions Limited (ALS), a wholly-owned subsidiary, being in gestation period, continues to witness liquidity pressures. Nevertheless, the ratings have favourably factored in the presence of AIL in diversified business operations through subsidiaries; its robust credit policy, with payments being secured through Letters of Credit and funding from EXIM Bank for LOC projects; and comfortable liquidity position. The investments of AIL in Apollo Tyres Limited (market value of around Rs. 144.2 crore as on September 28, 2010, against book value of Rs.16.3 crore) adds to its financial flexibility. The company continues to explore new growth opportunities in the trading and logistics space. Going forward, improvement in the performance of some of its significant subsidiaries/ associates would be critical in sustaining the credit profile of the company.

Recent Results

In the period from April to August 2010, the company reported net sales of Rs. 83.5 crore and a profit before tax (PBT) of Rs. 1.6 crore.

About the Company

Incorporated in 1994, Apollo International Limited (AIL) is currently held 61.5% by Apollo Finance Limited (an associate company of ATL) and 21.0% by the promoter family (Kanwar family). The company was initially set up as a 100% subsidiary of ATL to facilitate the export of Apollo tyres. Currently, the company operates in three business divisions engaged in (i.) international tendering (ii.) export of leather garments, (iii) trading of non Apollo Tyres besides serving as a holding company for other group companies engaged in trading, logistics and digitalization at cinema theatres.

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³ Non-fund based facilities, amounting to Rs. 70 crore, have been rated on both long-term and short-term scales. These facilities are interchangeable with the short-term, non-fund based facilities such that the total utilisation of the non-fund based facilities should not exceed Rs. 110 crore.

[†] For complete rating scale and definitions, please refer to ICRA's Website www.icra.in or other ICRA Rating Publications.

PRESS RELEASE

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".
The classification of instruments according to their complexity levels is available on the website www.icra.in

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