

March 08, 2017

## Pon Pure Logistics Private Limited

Instrument	Amount	Rating Action
	In Rs Crore	
Long term, Fund Based	8.00	[ICRA]BB+ (Stable) / Assigned
Short term, Non-fund based*	(0.50)	[ICRA]A4+ / Assigned

\* Sub-limits of long-term fund based; Instrument Details are provided in Annexure I

### Rating Action

ICRA has assigned a long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) to the Rs. 8.00 crore<sup>1</sup> fund-based limits of Pon Pure Logistics Private Limited (“PPL” / “the company”). The outlook on the rating is Stable. ICRA has also assigned a short-term rating of [ICRA]A4+ (pronounced ICRA A four plus)<sup>2</sup> to the Rs. 0.50 crore non-fund based sub-limits of PPL.

### Rationale

The ratings favourably consider PPL’s track record in the chemical logistics segment; and the established presence of the Pure Chemicals Group in chemical trading that provides captive business and has helped PPL in gaining reputed customers for chemical logistics, especially in the Southern Market. ICRA also takes note of PPL’s diversification of its customer base into industries such as FMCG, paper, automotive and the electronics industry. The ratings further take into account, PPL’s favourable financial risk profile with moderate leverage and adequate debt protection metrics.

The ratings are, however, constrained by the moderate scale of the PPL’s operations; its modest profitability indicators owing to the limited value additive nature of its business, with intense competition in the fragmented industry further exerting pricing pressures. The ratings also consider the susceptibility of PPL’s revenues and margins to broader economic cycle and volatility in fuel prices. Going forward, PPL’s ability to increase its scale of operations while sustaining its margins and maintaining tight control over its working capital remain the key rating sensitivities.

### Key Rating Drivers

#### Credit Strengths

- Part of reputed Pure Group which has an established presence in chemical trading and transportation
- Established track record of company in chemical logistics; long standing experience of management and operations team in the industry
- Favourable financial risk profile with moderate leverage and adequate debt protection metrics due to asset-light balance sheet

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA’s website [www.icra.in](http://www.icra.in) / other ICRA Rating publications

**Credit Weakness**

- Moderate scale of operations; modest profitability indicators owing to limited value additive nature of business
- Intense competition in the fragmented 3PL logistics industry, which exerts pricing pressures
- Revenue growth and margins linked to economic cycle

**Description of key rating drivers highlighted above:**

PPL is part of the Pure Chemicals Group which traces its roots to the business set up by the group chairman – Mr. M. Ponnuswami in 1981. PPL commenced operations by providing chemical logistics services to entities of the Group, which has an established presence in trading of chemicals. The group's healthy reputation and PPL's track record in chemical logistics, where stringent regulatory and safety requirements act as entry barriers to an extent, has allowed the company to garner reputed customers in the segment. PPL also has access to leased tankages at Ennore and Kandla Ports, which offers additional competitive advantage. PPL continues to cater to in-house logistics requirements of the group with such captive business accounting for ~30% of PPL's revenues in FY 2015–16. Over the recent fiscals, PPL has also diversified its customer base into industries such as FMCG, paper, automotive and the electronics industry. PPL having an asset-light balance sheet has allowed the company to maintain relatively low debt levels, which are entirely towards its working capital requirements. Consequently, the company's financial risk profile remains favourable, characterised by moderate gearing and adequate debt protection metrics.

Notwithstanding healthy revenue growth in FY 2015–16, PPL's scale of operations remains moderate and limited largely to southern India. PPL's profitability indicators remain modest owing to the limited value additive nature of its business, which amid intense competition in the fragmented 3PL industry further exerts pricing pressures. Furthermore, a sizeable share of its revenues stem from land based logistics services, which exposes PPL's margins to volatility in fuel prices. As is the case with all logistics players, PPL's revenues and margins remain susceptible to broader economic cycle.

**Analytical approach:****Links to applicable criteria**

Corporate Credit Rating – A Note on Methodology

<<http://www.icra.in/Files/Articles/2009-October-Rating-Corp-Rating-Methodology.pdf>>

Framework for Liquidity Analysis in Corporate Ratings

<<http://www.icra.in/Files/Articles/Framework%20March%202016.pdf>>

**About the Company**

Pon Pure Logistics Private Limited was incorporated in 2004 as Southern Logistics Private Limited and was renamed to its present form in 2005 and brought under the umbrella of the Pure Chemicals Group. It commenced operations by providing chemical logistics services to entities of the Group, and currently provides end-to-end supply chain logistics services including air and sea freight forwarding, contract logistics, customs clearances, ground transportation and warehousing, apart from value-added services such as packaging, drumming, inventorying, JIT supply and security. The company has significant experience in handling both liquid and dry chemical cargo, and in the recent years, has also diversified into handling cargo for industries such as FMCG, Automotive, Electronics, Textile, Paper, Pharma, amongst others. The company has also added express cargo services to its offerings since January 2016. The company is a member of International Air Transport Association (IATA), World Cargo Alliance (WCA), Multimodal Transport Operators (MTO) and Dangerous Goods Logistics Alliance (DGLA). The

company has also won awards for Specialized Cargo handling at the Confederation of Indian Industry's (CII) Supply Chain and Logistics Excellence Awards (SCALE) for the years 2013 and 2014, and 'Liquid and Bulk Chemical-handing Company of the Year' at the EXIM Awards during 2013 and 2014.

PPL is part of the Pure Chemicals Group which traces its roots to the business set up by the group chairman – Mr. M. Ponnuswami in 1981. Major entities of the group include Pon Pure Chemical India Private Limited (rated [ICRA]BBB (Stable)/ A3+) and Pure Chemicals Co. and Color Chemicals (both rated [ICRA]BBB- (Stable)/ A3).

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating History for last three years:**

**Table: Rating History**

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crore)	Month-year & Rating	Month-year & Rating in FY 2016	Month-year & Rating in FY 2015	Month-year & Rating in FY2014
				March 2017	-	-	-
1	Cash Credit	Long Term	8.00	[ICRA]BB+ (Stable)	-	-	-
2	Bank Guarantees*	Short-term	(0.50)	[ICRA]A4+	-	-	-

\*Sub-limits to cash credit facility

**Complexity level of the rated instrument:**

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](http://www.icra.in)

**Annexure-1**  
**Details of Instrument**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. Cr)</b>	<b>Current Rating and Outlook</b>
Cash Credit	-	-	-	8.00	[ICRA]BB+ (Stable)
Bank Guarantee; L/C	-	-	-	(0.50)	[ICRA]A4+

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About ICRA Limited:

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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