

May 31, 2019

## Allcargo Logistics Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Proposed Non-Convertible Debenture Programme	125.00	125.00	[ICRA]AA (Stable); Reaffirmed
<b>Total</b>	<b>125.00</b>	<b>125.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The reaffirmation in rating favourably factors in the leadership position of the company (consolidated entity) in the Multimodal Transport Operations (MTO) segment in addition to the strategically located Container Freight Stations (CFS) at JNPT, Chennai, Mundra and Kolkata. The ratings further take into account the revival of the Project and Engineering Solutions (P&E) division with better asset utilisation. ICRA notes the strong financial profile of Allcargo Logistics Limited (ALL/ the company) as seen from the healthy gearing, interest coverage and robust profitability.

The rating is, however, constrained by the cyclicity of the Project and Engineering (P&E) segment because of its dependence on the construction and capital goods industries. ICRA also notes the susceptibility of the MTO segment's revenues to global trade, which is partially mitigated by the geographic spread of the business. The ratings also factors in the dependence of the CFS segment's revenues to global trade and the competitive intensity in the domestic segment. As the company has global operations, it is exposed to foreign exchange fluctuation risks.

### Outlook: Stable

The Stable outlook reflects ICRA's expectation of ALL continuing to benefit from the extensive experience of its promoters in the logistics business and the Group's presence in the global market. The outlook may be revised to Positive if substantial growth is witnessed in revenue and profitability with the commissioning of a new logistics park division, which strengthens the financial risk profile. The outlook may be revised to Negative if the profitability further deteriorates due to reduction in realisation and/or volumes from the CFS segment, or if the company undertakes more than anticipated debt-funded capex, going forward.

### Key rating drivers

#### Credit strengths

**Leading integrated logistics player with an established global presence** - ALL has a leading position in the MTO segment; strategically located CFSs at JNPT, Mundra, Chennai and Kolkata, largely mitigating risks related to the economic environment and trade volumes, as more than 80% of container traffic in India is handled by these four ports. Also, ALL benefits from the synergy between the MTO and CFS businesses as the CFS division receives containers (import cargo) from shipping lines, while the MTO division books container space with shipping lines for export/import. Apart from that, the company has been involved in project movement and equipment leasing business where it has executed several orders for reputed clients in the past.

**MTO continues to be the major revenue generating segment** - The MTO business comprises NVOCC<sup>1</sup> operations, which constitutes LCL (Less than Container Load)/ cargo consolidation, FCL (Full Container Load) and other value-added services. The company has been witnessing increasing revenues in the MTO segment over the last four years driven by improvement in volumes, resulting in increment in overall market share across the geographies. Volume growth in recent fiscals can be largely attributed to regions like China, the US, Germany and the UK, where the company is expanding its market share. Furthermore, FY2019 has also reported healthy growth in volumes (16.8% on a YoY basis).

**Strong presence across major domestic ports aids CFS business** - At present, ALL has five CFS facilities located at JNPT (Mumbai; two facilities), Chennai, Mundra and Kolkata with a combined annual capacity of handling 585,000 TEUs<sup>2</sup> and two Inland Container Depots (ICDs) at Dadri (near Delhi) and Pithampur (Madhya Pradesh) with a combined annual capacity of handling 88,000 TEUs. The CFS facility at Kolkata Port achieved commercial operations in December 2017 and achieved healthy ramp up in FY2019 due to the growing container traffic in eastern India. These ports are in proximity to main industrial hubs, carry majority of the volumes and are the preferred choice for customers because of their strategic location. The CFS facilities provide a one-stop shop for storage as well clearance of EXIM cargo with value-added services.

**Strong financial profile with comfortable coverage metrics and healthy financial flexibility** - The net worth of the company has been increasing over the past few fiscals, resulting in comfortable leverage indicators for the company. This is evident by the gearing of 0.3 time and TOL/TNW of 0.9 time as on March 31, 2019, even though the debt levels have increased due to the ongoing capex in the logistics park division. Further, supported by improvement in accruals, the coverage indicators for the company have also remained healthy with ALL reporting NCA/TD of 60% and interest cover of 15.2 times for FY2019. Healthy financial flexibility and significant unutilised bank lines provide additional comfort.

## Credit challenges

**Susceptibility of revenues to economic slowdown and variations in trade volumes** - The revenues in MTO and CFS segments remain exposed to global economic slowdown and resulting drop in export–import trade volumes. However, during an economic slowdown, FCL cargo is typically converted into LCL cargo and drives the LCL segment growth.

**High competitive intensity in the domestic CFS segment; impact of DPD at JNPT** - The domestic CFS segment is highly competitive with several established and new players entering the industry. Furthermore, leading players embarking on capacity expansion at major port locations have been impacting the realisations and, hence, the margins. While DPD implementation at JNPT has had a limited impact as of now and the company has made efforts to offer additional services to cushion the impact of lower average realisations per TEU handled, higher DPD volumes can impact the margins of the CFS business and this remains a concern over the long-term.

**Cyclical nature of equipment leasing industry** - The equipment leasing industry remains sensitive to the overall quantum of investments in infrastructure related projects in target sectors such as power (thermal and wind) and refinery. The recent slowdown in the wind power sector had impacted the overall contribution from the P&E segment. However, ICRA derives comfort from the favourable medium to long-term prospects of the aforementioned target sectors, given the strong thrust by the Government to develop infrastructure in the country.

**Project risks associated with ongoing capex plans** - ALL has put in place large capex plans to set up warehousing facilities at various locations in India. At present, the company is developing warehouse facilities at Bangalore, Hyderabad, Jhajjar and Malur (Karnataka). While the expenditure would be phased out over a period of 2-3 years, and funding risk is largely

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<sup>1</sup> NVOCC: Non-Vessel Operating Common Carrier

<sup>2</sup> TEU: Twenty-foot equivalent unit

mitigated by the healthy internal accruals and financial flexibility, the company would remain exposed to project related risks.

### Liquidity position

ALL's repayment burden is expected to increase in the following years, given its capex plans to set up warehouses at various domestic locations, which is being funded by external borrowings. Aided by low working capital intensity as well as high proportion of undrawn bank facility and high amount of free cash, the liquidity profile of the company remains comfortable.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not Applicable
Consolidation / Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Allcargo Logistics Limited. As on March 31, 2018, the company had 125 subsidiaries and eight JVs, which are enlisted in Annexure-2

### About the company

Allcargo Logistics Limited, a part of the Avvashya Group, and headquartered in Mumbai, was established by Mr. Shashi Kiran Shetty in 1993 as a cargo handling operator at Mumbai port. The company now offers specialised logistics services and has three main business verticals of— a) MTO, comprising NVOCC (LCL consolidation and FCL) services; b) CFS and ICD; and c) P&E, comprising project logistics, equipment leasing and coastal shipping. Apart from these three main business verticals, the company has also ventured into contract logistics and warehousing services.

The company has an established global presence in the MTO segment with more than 200 offices in over 90 countries, connecting more than 4,000 port pairs. The company has achieved its said scale over the past decade through a series of acquisitions. These include ECU-Line (in 2005-06; a Belgian company and one of the leading providers of LCL services globally), Econocaribe Consolidators (in 2013-14; third largest NVOCC in the US) and FCL Marine Agencies (in 2013-14; a leading NVOCC service provider in the FCL segment in Europe, USA and Canada), among others.

### Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	6,047	6,895
PAT (Rs. crore)	169	243
OPBDIT/OI (%)	6.2%	6.5%
RoCE (%)	10.6%	13.6%
Total Debt/TNW (times)	0.2	0.3
Total Debt/OPBDIT (times)	1.3	1.3
Interest coverage (times)	12.5	15.2

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

**Any other information: None**

**Rating history for last three years:**

Instrument	Current Rating (FY2020)			Chronology of Rating History for the Past 3 Years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating May 2019	Date & Rating in FY2019 May 2018	Date & Rating in FY2018 Apr 2017	Date & Rating in FY2017 May 2016
1 Proposed NCD	Long Term	125.00	0.00	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)

**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: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Proposed NCD	Not yet placed	NA	NA	125.00	[ICRA]AA (Stable)

Source: Allcargo Logistics Limited

## Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
AGL Warehousing Private Limited	100%	Full Consolidation
Allcargo Shipping Co. Private Limited	100%	Full Consolidation
Allcargo Inland Park Private Limited	100%	Full Consolidation
Allcargo Multimodal Private Limited	100%	Full Consolidation
Allcargo Terminals Private Limited	100%	Full Consolidation
Altcargo Oil & Gas Private Limited	74%	Full Consolidation
ACEx Logistics Limited	100%	Full Consolidation
Combi Line Indian Agencies P Limited	98.95%	Full Consolidation
Comptech Solutions Private Limited	48.28%	Full Consolidation
Contech Logistics Solutions Private Limited	100%	Full Consolidation
ECU International [Asia] Private Limited	100%	Full Consolidation
Hindustan Cargo Limited	100%	Full Consolidation
South Asia Terminals Private Limited	100%	Full Consolidation
Transindia Logistic Park Private Limited	100%	Full Consolidation
Ecu-Line Algeria sarl	100%	Full Consolidation
Ecu Worldwide [Argentina] SA	100%	Full Consolidation
Ecu Worldwide Australia Pty Ltd	100%	Full Consolidation
Integrity Enterprises Pty Ltd.	100%	Full Consolidation
Ecu Worldwide [Belgium] N.V	100%	Full Consolidation
Ecu-Logistics N.V.	100%	Full Consolidation
FMA-Line Holding N. V.	100%	Full Consolidation
Ecuhold N.V.	100%	Full Consolidation
Ecu International N.V.	100%	Full Consolidation
Ecu Global Services N.V.	100%	Full Consolidation
HCL Logistics N.V.	100%	Full Consolidation
European Customs Brokers N.V.	70%	Full Consolidation
AGL N.V.	100%	Full Consolidation
Allcargo Belgium N.V.	100%	Full Consolidation
Ecu Worldwide Logistics do Brazil Ltda	100%	Full Consolidation
Ecu Worldwide [Canada] Inc	100%	Full Consolidation
Ecu Worldwide [Chile] S.A	100%	Full Consolidation
Flamingo Line Chile S.A.	100%	Full Consolidation
Ecu Worldwide [Guangzhou] Ltd.	100%	Full Consolidation
China Consolidation Services Shipping Ltd	75%	Full Consolidation
Ecu Worldwide China Ltd.	75%	Full Consolidation
Ecu Worldwide [Colombia] S.A.S.	100%	Full Consolidation
Ecu Worldwide Costa Rica S.A.	100%	Full Consolidation
Ecu Worldwide [Cyprus] Ltd.	55%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Ecu Worldwide [CZ] s.r.o.	100%	Full Consolidation
Ecu Worldwide [Ecuador] S.A.	100%	Full Consolidation
Flamingo Line del Ecuador SA	100%	Full Consolidation
Ecu Worldwide Egypt Ltd.	100%	Full Consolidation
Ecu Worldwide [El Salvador] S.P. Z.o.o. S.A. de CV	100%	Full Consolidation
Ecu Worldwide [Germany] GmbH	100%	Full Consolidation
ELWA Ghana Ltd.	100%	Full Consolidation
Ecu Worldwide [Guatemala] S.A.	100%	Full Consolidation
Ecu Worldwide [Hong Kong] Ltd.	100%	Full Consolidation
Ecu International Far East Ltd.	100%	Full Consolidation
CCS Shipping Ltd.	75%	Full Consolidation
PT Ecu Worldwide Indonesia	100%	Full Consolidation
Ecu Worldwide Italy S.r.l.	100%	Full Consolidation
Eurocentre Milan srl.	100%	Full Consolidation
Ecu Worldwide [Coted'ivoire] sarl	100%	Full Consolidation
Ecu Worldwide [Japan] Ltd.	65%	Full Consolidation
Jordan Gulf for Freight Services and Agencies Co. LLC	100%	Full Consolidation
Ecu Worldwide [Kenya] Ltd.	100%	Full Consolidation
Ecu Shipping Logistics [K] Ltd.	100%	Full Consolidation
Ecu Worldwide [Malaysia] SDN. BHD.	100%	Full Consolidation
Ecu-Line Malta Ltd.	100%	Full Consolidation
Ecu Worldwide [Mauritius] Ltd.	100%	Full Consolidation
CELM Logistics SA de CV	100%	Full Consolidation
Ecu Worldwide Mexico SA de CV	100%	Full Consolidation
Ecu Worldwide Morocco S.A.	100%	Full Consolidation
Ecu Worldwide [Netherlands] B.V.	100%	Full Consolidation
Rotterdam Freight Station BV	100%	Full Consolidation
FCL Marine Agencies B.V.	100%	Full Consolidation
Ecu Worldwide Newzealand Ltd.	100%	Full Consolidation
Ecu Worldwide [Panama] S.A.	100%	Full Consolidation
Ecu-Line Paraguay SA	100%	Full Consolidation
Flamingo Line del Peru SA	100%	Full Consolidation
Ecu-Line Peru SA	100%	Full Consolidation
Ecu Worldwide [Phillippines] Inc.	100%	Full Consolidation
Ecu Worldwide [Poland] Sp zoo	100%	Full Consolidation
Ecu-Line Doha W.L.L.	100%	Full Consolidation
Ecu Worldwide Romania SRL	100%	Full Consolidation
Ecu-Line Saudi Arabia LLC	70%	Full Consolidation
Ecu Worldwide [Singapore] Pte. Ltd.	100%	Full Consolidation
Ecu Worldwide [South Africa] Pty Ltd.	100%	Full Consolidation
Ecu-Line Spain S.L.	100%	Full Consolidation
"Mediterranean Cargo Center S.L. [MCC]"	100%	Full Consolidation
Ecu Worldwide Lanka [Private] Ltd.	100%	Full Consolidation
Ecu-Line Switzerland GmbH	100%	Full Consolidation
Ecu Worldwide [Thailand] Co. Ltd.	57%	Full Consolidation
Société Ecu-Line Tunisie Sarl	100%	Full Consolidation
Ecu Worldwide Turkey Taşımacılık Limited Şirketi	100%	Full Consolidation
Ecu-Line Middle East LLC	86%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Ecu-Line Abu Dhabi LLC	75.50%	Full Consolidation
Eurocentre FZCO	84.62%	Full Consolidation
China Consolidated Company Ltd.	75%	Full Consolidation
Star Express Company Ltd.	100%	Full Consolidation
Ecu Worldwide [UK] Ltd.	100%	Full Consolidation
Ecu Worldwide [Uruguay] S.A.	100%	Full Consolidation
CLD Compania Logistica de Distribution SA	100%	Full Consolidation
Guldary S.A.	100%	Full Consolidation
PRISM GLOBAL, LLC	100%	Full Consolidation
Econocaribe Consolidators, Inc.	100%	Full Consolidation
Econoline Storage Corp.	100%	Full Consolidation
ECI Customs Brokerage, Inc.	100%	Full Consolidation
OTI Cargo, Inc.	100%	Full Consolidation
Ports International, Inc.	100%	Full Consolidation
Administradora House Line C.A.	100%	Full Consolidation
Consolidadora Ecu-Line C.A.	100%	Full Consolidation
Ecu Worldwide Vietnam Co. Ltd.	51%	Full Consolidation
Ocean House Ltd.	51%	Full Consolidation
Ecu-Line Zimbabwe [Pvt] Ltd.	100%	Full Consolidation
Asia Line Limited	100%	Full Consolidation
Contech Transport Services [Pvt] Ltd	100%	Full Consolidation
Prism Global Ltd.	100%	Full Consolidation
FMA-LINE France S.A.S.	100%	Full Consolidation
Cargo Freight Station S.A.	50%	Full Consolidation
Allcargo Logistics LLC	49%	Full Consolidation
Eculine Worldwide Logistics Co. Ltd.	100%	Full Consolidation
FMA-LINE Nigeria Ltd.	100%	Full Consolidation
Ecu Worldwide [Uganda] Limited	100%	Full Consolidation
FMA Line Agencies Do Brasil Ltda	100%	Full Consolidation
FCL Marine Agencies Belgium bvba	100%	Full Consolidation
Centro Brasileiro de Armazenagem E Distribuicao Ltda	50%	Full Consolidation
Allcargo Hongkong Limited	100%	Full Consolidation
Oconca Container Line S.A. Ltd.	100%	Full Consolidation
General Export srl.	51%	Full Consolidation
Almacen y Maniobras LCL SA de CV	100%	Full Consolidation
ECU WORLDWIDE SERVICIOS SA DE CV	100%	Full Consolidation
ECU TRUCKING, INC.	100%	Full Consolidation
ECU Worldwide CEE SRL	100%	Full Consolidation
FMA Line SA [PTY] LTD	100%	Full Consolidation
Avvashya CCI Logistics Pvt. Ltd.	61.13%	Equity method
Allcargo Logistics Park Pvt. Ltd.	51%	Equity method
Transnepal Freight Services Pvt. Ltd	50%	Equity method
Allcargo Logistics Lanka [Pvt] Ltd	40%	Equity method
FCL Marine Agencies Gmbh [Hamburg]	50%	Equity method
FCL Marine Agencies Gmbh [Bermen]	50%	Equity method
Ecu Worldwide Peru S.A.C.	50%	Equity method
Fasder S.A.	50%	Equity method

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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)



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