

APOLLO INTERNATIONAL LTD

Brickwork Ratings assigns the ratings for the Bank Loan Facilities amounting to ₹ 144.89 Cr of Apollo International Ltd ('AIL' or 'The Company')

Facility**	Present Amount Rated (₹ Crs)	Tenure	Present Ratings
Fund Based	59.05	Long Term	BWR BBB- Stable
Non Fund Based	85.84	Short Term	BWR A3
Total	144.89	INR One Hundred Forty Four Crores & Eighty Nine Lakhs Only	

** Details of facilities given in Annexure I.

Please refer to www.brickworkratings.com for definition of the Ratings

Rating Action/Outlook:

BWR has assigned a long term rating of BWR BBB- (Stable) & Short Term Rating of BWR A3.

The rating factors in the experience of the promoter in business along with the company's established market position, continuous funding support from promoter/promoter entities, diversified product portfolio & geographical presence, long standing relationship with customers & suppliers, moderate debt protection metrics & comfortable scale of operations during FY19 and FY20 (Prov).

However, the rating is constrained by working capital intensive nature of operations, significant support extended to its subsidiary Apollo Logisolutions Ltd (ALL), Project execution risk in IBD division and inherent competition from existing players.

The outlook is stable as the company has been able to sustain the revenues from business operations in FY20 (Prov).

Going forward, the company's ability to improve its scale of operations, profitability, credit metrics, liquidity position and as well as equity infusion & no further investment in subsidiary ALL as per undertaking will be the key rating sensitivities.

BWR has principally relied upon the audited financial results of AIL upto 31st March 2019, FY20 certified provisionals and projected financials FY21, FY22 & publicly available information & information/ clarifications provided by the company's management.

Key Rating Strengths

- **Extensive experience of management & Established track record-** The company has a track record of more than 25 years having commenced its operations in 1994. The promoter has extensive experience and an established track record in the diversified business. This has helped the company establish healthy relationships with a stable customer base leading to repeat orders. The company also enjoys long term relationships with suppliers and hence is able to ensure stable supply of raw materials & products. Further the company has a team of experienced professionals.
- **Diversified Product Portfolio & Geographical Presence:-** AIL operates under three divisions (i) TTG that is involved in the export of tyres; (ii) IBD that is involved in infrastructure development on turnkey basis and (iii) TF that is involved in the export of leather products. AIL's presence across multiple business segments provides some diversification benefits. The company sells its products & provides services in India, UK, US, Canada, Europe, Africa, Middle East and Southeast Asia.
- **Access to funding support from promoters:** AIL enjoys access to financial support from its promoters, who infused funds in FY20 (~INR 25.35 crore) to help the company meet its working capital requirements and debt repayment commitments. The promoters have given undertaking to further infuse funds of INR 25.00 Crs in the current fiscal to help prepay debt availed from KKR Financial Services Private Limited and have given a guidance of continuation of funding support, going forward, as well.
- **Moderate coverage indicators & comfortable scale of operations:** Debt coverage indicators (ISCR & DSCR) stood at 1.06 times & 1.24 times in FY19. ISCR improved to 1.16x in FY20 (Prov) as compared to FY19. Gearing improved to 1.23x in FY20 (Prov) from 1.89x in FY19. TOI stood at INR 355.45 Crs in FY20 (Prov) as compared to INR 405.84 Crs in FY19. TNW improved to INR 141.02 Crs in FY20 (Prov) from INR 107.02 Crs in FY19. The company registered operating profit and PAT of INR 39.82 crs and INR 8.65 crs. respectively in FY20 (prov) as against INR 28.49 crs & INR 7.57 crs respectively in FY19.

Credit weaknesses

- **Working Capital Intensive nature of operations:** The operations of AIL remained working capital intensive supported largely by the bank or NBFC borrowings. The average utilisation of fund based working capital limits of the company stood high around 80% during the last 12 months.
- **Significant support extended to Subsidiary in logistic business:** AIL has extended significant funding support to ALL (INR 179.49 crs as of March 31, 2020), a subsidiary operating in the logistics segment, which entails a long gestation period. However, AIL has given undertaking that there would be no further investment in this subsidiary going



forward. It has also informed about disinvestment of around 5% stake in ALL by selling the stake to private equity investment players who have already approached the company and this disinvestment is expected to happen by the end of FY21.

- **Project Execution Risk & Tender based business in IBD Division:** It is exposed to the project execution risk in terms of time and cost over-run as few projects get stalled/delayed because of various issues like difficulty in land acquisitions, environmental clearances, political interference; causing delay in execution and subsequent realisations. It is also exposed to the risks of tender based nature of order in IBD division. However, it has managed a decent conversion rate so far.
- **Intense competition** – The Industry is highly fragmented with the presence of many organized & unorganized players providing similar products/services. Hence, the company faces competition from other players leading to intense competition and pricing pressures, which in turn affect the profitability margins of the company.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below.

RATING SENSITIVITIES

Positive: BWR may revise the ratings upward, in case of substantial improvement in operating income, profitability margins & gearing and strengthening of the financial risk profile of the company.

Negative: BWR may revise the rating downward, in case reduction in profitability margins, debt protection metrics, substantial increase in debt levels thereby impacting the credit profile of the company. Also if there is more than 5%-10% variation in the audited results of FY20, no equity infusion of INR 25 Crs in FY21 and any further investment in subsidiary Apollo Logisolutions Ltd as per undertaking, it may result in downgrade of rating.

Liquidity Position (Adequate)

The company has an adequate liquidity position. There are long term secured/unsecured borrowings from banks & NBFC amounting to INR 86.30 Crs as on 31st March 2020. Against a CPLTD of INR 3.98 Crs in FY20, the company had a cash accruals of INR 12.55 Crs in FY20 (Prov), thereby indicating a comfortable liquidity position for repayment of debt obligations. Utilization of working capital limits is around 80%.

About AIL:

AIL was set up in August 1994 & started off as a Group company of the Apollo Tyres Group, as a 100% subsidiary of Apollo Tyres Limited (ATL) to facilitate the export of tyres manufactured by the latter. Subsequently, the company ceased to be a 100% subsidiary of ATL. The company, at present, operates via three business divisions –International Business Division (IBD), Tag

Fashions (TF) & Tyre Tech Global (TTG). IBD is involved in EPC contracts at international & national level, TF is engaged in manufacturing & exporting of leather apparel, shoes & accessories and TTG is engaged in exporting automotive tyres, tubes and flaps from ATL. The company has diverse operations in more than 60 countries spanning across Africa, Middle East, South East Asia, Europe, Canada and UK. It enjoys the status of Government recognized Export House. The Chairman of AIL is Mr Raaja Kanwar who is son of Mr. Onkar S Kanwar, Chairman & MD of Apollo Tyres Ltd.

Key Financial Indicators (Standalone)

Key Financials			
	Units	31/Mar/2018	31/Mar/2019
Result Type		Audited	Audited
Total Operating Income	INR Crs	313.13	405.84
OPBDIT	INR Crs	-2.49	28.49
PAT	INR Crs	-22.40	7.57
Tangible Net Worth	INR Crs	99.45	107.02
Debt/TNW	Times	1.85	1.89
Current Ratio	Times	1.01	1.07

Key Covenants of the Instrument/Facility Rated: Not Applicable

Status of non-cooperation with previous CRA (if applicable): Reason and comments: NA

Any other information: NA

Rating History for the last three years: (Including suspended/withdrawn ratings)

S.No	Name of Instrument	Current Rating (2020)				Rating History		
		Type	Tenure	Amount (In Crs)	Rating	2019	2018	2017
1	Bank Loan	Fund Based	Long Term	59.05	BWR BBB-Stable	NA	NA	NA
		Non Fund Based	Short Term	85.84	BWR A3	NA	NA	NA
Total				144.89	INR One Hundred Forty Four Crores & Eighty Nine Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to Applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Rating Criteria - Manufacturing Entities**
- **Rating Criteria - Service Sector Entities**

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Apollo International Ltd

ANNEXURE I
Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	SBI	CC	11.00	-	11.00
		PCF/EPC	15.00	-	15.00
		LC	-	14.00	14.00
		BG	-	50.00	50.00
2	Canara Bank	PC/PCFC	1.05	-	1.05
		ILC/FLC/BG	-	19.84	19.84
3	Bank of India	PCFC	2.00	-	2.00
		LC/BG	-	2.00	2.00
4		Proposed Loan	30.00	-	30.00
TOTAL					144.89

Total: INR One Hundred Forty Four Crores & Eighty Nine Lakhs Only

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