

Apollo International Limited

Instrument	Amount	Rating Action
	Rs. Crore	July 2016
Fund Based Facilities	84.25 (enhanced from 81.25)	[ICRA]A2+ reaffirmed
Non Fund Based Facilities	234.75 (enhanced from 230.75)	[ICRA]BBB+ (Stable)/ [ICRA]A2+ reaffirmed
Unallocated	23.15 (reduced from 30.15)	[ICRA]BBB+ (Stable)/ [ICRA]A2+ reaffirmed
Total	342.15	

ICRA has re-affirmed **[ICRA]BBB+/[ICRA]A2+** (pronounced ICRA triple B plus/ ICRA A two plus) ratings for the Rs. 342.15 Crore bank facilities of Apollo International Limited (AIL). The long term rating has a “Stable” outlook[†].

The rating reaffirmation takes into account the strong parentage of the company, with AIL being promoted by the promoter family of Apollo Tyres Group. It has a diversified business profile, with various business segments (tyre trading, Leather garment exports and international tendering business) constituting healthy proportions of the total revenues. The diversified business profile helped the company record a growth in revenues in 2015-16, with the healthy growth recorded by the tyre trading and leather garments exports divisions compensating for the lower than expected revenues of the international tendering business division.

The resumption in tyre trading business since October 2014, wherein the company is engaged in trading of tyres procured from Apollo Tyres, provides revenue visibility and a scale up in operations of the same would help further reduce its dependence on the international tendering business, which inherently remains prone to lumpiness. In 2015-16, the international tendering business revenues declined, with supplies for some projects attained by the division being delayed on account of delays in receipt of requisite approvals. In spite of the inherent lumpiness in the international tendering business, ICRA continues to take comfort from the fact that the counterparty credit risk for the division continues to remain limited as the payments in the business are received through EXIM Bank and the business is largely with Government entities.

The ratings assigned continue to factor in favourable the financial flexibility available to the company in the form of healthy investments in Apollo Tyres Limited and UFO Moviez India Limited. The ratings, however, remain constrained by the inherent lumpiness in the associated bid/payment cycle in the international business division. Additionally, the trading business inherently entails thin profit margins, as is reflected in the profitability of the company over the past few years.

At a consolidated level, AIL has presence in diverse sectors through subsidiaries/associate companies, with entities also present in the logistics business. The consolidated financial risk profile of the company continues to be constrained by its subsidiaries in logistics businesses – which have debt funded capex plans and entail relatively longer gestation period. Although it has extended significant support to its group companies over the years, the incremental funding support from the company to its subsidiaries is expected to remain minimal.

Going forward, the ramp up of operations in the tyre trading business, its ability to gain further businesses in the international tendering business as well as the extent of funding support extended by AIL to its subsidiaries would remain key rating sensitivities.

Company Profile

Apollo International Limited (AIL), is a part of the Apollo Group (Apollo Tyres Limited or ATL, is the flagship company of the Apollo Group). AIL started as a 100% subsidiary of ATL to facilitate the export of tyres manufactured by ATL. However, subsequently the company ceased to be a 100% subsidiary of ATL and currently Apollo Finance Limited (an Associate company of ATL) is the largest shareholder of AIL holding 61.5% equity stake.

[†] For detailed rating scales and definitions refer the ICRA website www.icra.in or other ICRA publications

The company currently operates in three business divisions

- (i.) International tendering/LOC business
- (ii.) Export of leather garments and accessories
- (iii) Trading of Tyres

It also serves as a holding company for other group companies that are engaged in trading of tyres and logistics.

Recent Results

In 2015-16 (provisional financials), AIL recorded an operating income of Rs. 423.0 Crore and profit before depreciation, interest and tax of Rs. 17.5 Crore.

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