RATING REPORT

Agility Logistics (Pvt.) Limited

REPORT DATE:
January 03, 2020

RATING ANALYST:
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RATING DETAILS		
Rating Category	**Initial Rating**	
	Long-term	**Short-term**
Entity	A	A-2
Rating Outlook	Stable	
Rating Date	December 31, 2019	

COMPANY INFORMATION	
Incorporated in 2001	**External auditors:** A. F. Ferguson & Co. Chartered Accountants
Private Limited Company	**Chairman & Chief Executive Officer:** Moin A. Malik
Key Shareholders (with stake 5% or more):	
Agility (Asia/Pacific) Limited, British Virgin Islands	

APPLICABLE METHODOLOGY(IES)
VIS Entity Rating Criteria Methodology – Industrial Corporates (May 2019) **https://s3-us-west-2.amazonaws.com/backupsqlvis/docs/Corporate-Methodology-201904.pdf**

Agility Logistics (Pvt.) Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE

Agility Logistics (Pvt.) Limited was incorporated in 2001 as a (Private) Limited Entity. Financial Statements of the company for FY18 were audited by A.F Ferguson & Co.

Agility Logistics (Pvt.) Limited (ALPL) is a wholly-owned subsidiary of Agility (Asia/Pacific), British Virgin Islands. The ultimate parent company of ALPL is Agility Public Warehousing Company K.S.C (APWC) which was incorporated in 1979, as PWC logistics in Kuwait. APWC started its operation as a government-owned enterprise in Kuwait and was privatized in 1997. The company's shares have been floated on the Kuwait Stock Exchange (KSE: AGLTY) since 1984 and the Dubai Financial Market (DFM: AGLTY) since 2006. APWC is amongst the largest logistic service providers in the Middle East and has expanded its footprint in Asia, Africa and Latin America via acquisitions and setting up its operations in the aforementioned places. As at end-Dec'2018, APWC reported total assets and net equity of KD. 1.84b and KD. 1b, respectively while net profit for 2018 amounted to KD. 99.8m.

Agility Presence Worldwide			
America	**Europe**	**Middle East & Africa**	**Asia Pacific**
24 Countries	32 Countries	23 Countries	24 Countries
100 Offices	130 Offices	80 Offices	160 Offices
1,400 Employees	2,600 Employees	9,500 Employees	9,500 Employees

Agility Pakistan

ALPL operations in Pakistan are handled by more than 700 employees situated in 8 branches spread across Pakistan, with its head office being located in Karachi. ALPL provides end-to-end supply chain and logistics solution (One window solution) for its clients. The company provides freight forwarding & handling, customs clearance, fleet management, warehousing and distribution services to its clients. The coverage of these services expands to diversified range of clients such as multi-national corporations (MNCs) and large local corporates who have had a lengthy association with the Company. Presence across a diverse array of segments allows the Company to cross sell services to clients which has contributed to increasing revenues over the years.

Business Segments

The Company's operations can be segregated into two broad segments; income from services and revenue from sale of goods. Revenue from services comprises income earned from freight forwarding & handling, customs clearance, fleet management and warehouse related services. Revenue from sale of goods represents sales revenue of the distribution segment.

Fleet Management:

Fleet management segment caters to transportation requirements of clients. Large clients within the fleet management segment include Nestlé Pakistan, Engro Food Ltd, Colgate Palmolive and Unilever Pakistan. The company also has a sizeable fleet of vehicles to cater to client needs.

Freight Forwarding & Handling:

The Freight Forwarding & Handling segment deals in import and export related services. This segment contributes around one-fourth of the company's revenue. Despite import curtailment strategy being pursued by the government, the segment witnessed growth in income which was mainly on account higher revenues from export related clients. Client base in the segment includes a number of MNCs who are recommended by the global agility network.

Warehousing:

During CY18, growth in income from the warehousing segment outpaced increase in all other segments. ALPL has warehousing presence in North, Central and South of the country. With growing warehousing demand and to curtail rental expenses, ALPL has decided to construct a warehouse on an already purchased land, and will move its three existing rental warehouse operation to the same.

Distribution:

Distribution segment facilitates customers through transporting goods from manufacturers' warehouse to point of sale. Growth in distribution segment revenues in CY18 was 26.8%. Clients in distribution segment include Shell Pakistan Limited, Engro Foods, Samsung Dubai, Nestle Pakistan Ltd and Fauji Foods Limited.

Rating Drivers Summary

Assigned ratings to ALPL incorporate strong sponsor profile and demonstrated track record of support of Agility Group who have a global presence and are amongst the leading logistics & supply chain players in the Middle East. Ratings also reflect the Company's position as an end to end logistics and supply chain service providers in the country. Business risk profile draws support form diversified nature of operations and revenue stream and strong client base primarily comprising MNCs (including sticky global relationships) and large local corporates. However, revenues remain exposed to macroeconomic volatility while overall customer concentration is on the higher side. Comfort is drawn from high customer retention, lengthy association with most clients and continuous addition of new clients. Assessment of financial risk profile incorporates strong historical and projected growth in revenues which along with cost rationalization initiatives are expected to result in improvement in profitability which currently remains modest due to thin margins and high effective tax rate. Ratings are constrained by low quantum of cash generated from operations and free cash flows. Overall corporate governance infrastructure is considered sound and is supported by a well-designed organizational structure & clear reporting lines, solid IT platform and documented policy & procedural framework. Ratings remain dependent on projected improvement in cash flow profile and conversion of planned long-term intercompany loan to equity.

Financial Summary (amounts in PKR millions)			Appendix I
	FY16	**FY17**	**FY18**
BALANCE SHEET			
Paid Up Capital	1,384.1	1,384.1	2,416.6
Total Equity (including long term loan)	3,105.1	2,999.8	2,854.4
INCOME STATEMENT			
Net Sales	6,154.8	8,513.5	10,125.3
Profit Before Tax (adjusted for exchange loss and intercompany markup)	191.5	136.9	197.2
Profit After Tax (adjusted for exchange loss and intercompany markup)	48.6	-48.6	18.4
Profit After Tax	-168.8	-584.4	-234.9
RATIO ANALYSIS			
FFO	266.7	182.4	94.4
Current Ratio	1.4	1.3	1.1
Gearing (x)	0.2	0.2	0.3

ISSUE/ISSUER RATING SCALE &DEFINITIONS Appendix II

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES					Appendix III
Name of Rated Entity	Agility Logistics (Pvt.) Limited				
Sector	Textiles				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	31-Dec-19	A	A-2	Stable	Initial
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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