Press Release

AVG Logistics Limited

Dec 12, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	87.46	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook)	IVR BBB- /RWDI Outlook (Pronounced as IVR Triple B Minus with rating watch with developing implication Outlook)	Re-affirmed with change in Outlook	Simple
Long Term/Short Term Bank Facilities (Proposed)	25.00	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with Stable Outlook) & IVR A3	-	Assigned	Simple
Total	**112.46 (One Hundred Twelve Crores & Forty Six Lakhs Only)**				

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings re-affirmed with change in outlook to the bank facilities of AVG Logistics Limited (AVG) continue to take into account its long track record of operations under an experienced management, established and diversified customer base, long term contract with the customers with diesel pass through clause & comfortable capital structure with moderate debt protection metrices. Further, the ratings also derived comfort from its improvement in scale during FY23. However, these ratings are partially offset by highly competitive intensity in logistics business, susceptibility of revenues to economic slowdown and variations in trade volumes, moderate working capital intensive nature of operations marked by elongated receivable period and moderation in profitability.

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the company's business & financial risk profile will be maintained over the medium term. The company has good order book which provides revenue visibility in short to medium term.

IVR has principally relied on the standalone audited financial results of AVG Logistics Limited upto 31 March 2023 and Projected Financials for FY24, FY25 and FY26 and publicly available information/ clarifications provided by the entity's management.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis.
- Sustenance of the capital structure.
- Improvement in working capital cycle and cash accruals.
- Improvement in TOL/TNW

Downward Factors

- Any decline in the revenue and profitability on a sustained basis.
- Moderation in the capital structure.
- Any material stretches in working capital cycle weakens liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management with long track record of operations:

The company is promoted by Mr. Sanjay Gupta (MD/CEO) in 2010, who is hailed as a veteran in logistics sector and possesses strong leadership experience in multi-modal logistics management. He has led Indo-Arya Logistics from INR 300 MN to INR 5 BN before starting AVG Logistics. Also, prior to the incorporation of AVG and working as CEO of IAL, the promoter was into the transportation business through 'Prem Crane & Transportation Services' (PCTS started operations in 2000). The directors are well supported by an experienced team of professionals. They are being assisted by a team of qualified and experienced staff who look after finance, production, and quality control, marketing, and general administration.

Established and diversified customer base:

The company is associated with reputed companies like Nestle, Hindustan Unilever Limited (HUL), Amara Raja Batteries Ltd., MRF Limited, Bharti Airtel Limited, Apollo Tyres etc. which indicates its strong customer portfolio. Further, AVGLL has a diversified customer base as its top 10 customers contributed only ~67.76 % of revenues in FY2023. This is likely to insulate the company's revenues against loss of any customer(s) providing stability to revenues.

Long term contract with the customers with diesel pass through clause:

AVGL had agreement of 1 to 3 years with all its major customers which provides healthy revenue visibility over the near term and the agreement includes the escalation clause based on the 5% change in the diesel cost. However, the concentration risk is mitigated to a large extent on account of repeat orders and relationship with majority of its customers over long period of time.

Improved profitability margins:

The operating and net profit margins have improved to 17.55% and 1.83% respectively in FY2023 as compared to 9.42% and 0.22% respectively in FY2022. Th improvement in profitability margins was mainly due to controlled operating expense.

Satisfactory capital structure with moderate debt protection metrics:

The capital structure of the company remained satisfactory over the past fiscals. The overall gearing remained satisfactory at 1.43x as on March 31, 2023. The net worth of the company improved from Rs.73.78 crore in FY2022 to Rs.78.34 crore in FY2023 majorly due to accretion of profits to reserves. Further, the debt protection metrics remained satisfactory during the FY2023 marked by interest service coverage ratio (ISCR) is 2.44x and debt service coverage ratio (DSCR) is 1.57x in FY2023.

Key Rating Weaknesses

Highly competitive intensity in logistics business

Indian logistics sector has high degree of fragmentation with the presence of large established companies and many small and medium sized unorganized companies. Further, logistics being a global industry the company also faces competition from the global operators also. Intense competition restricts the bargaining power and affect the profit margins to an extent. Due to high competition in the sector, higher operating efficiency, maintenance of superior service standards and providing innovative solutions to the evolving customer requirements will be keys for AVG to expand its market position.

Susceptibility of revenues to economic slowdown and variations in trade volumes

The performance of the logistics sector (freight forwarding industry) is linked to global economic activities, which impact the trade volumes, especially given the stiff competition amid the highly fragmented industry structure. Any slowdown in domestic and global manufacturing/industrial activities, due to weak economic conditions or restrictive trade policies, can have a negative impact on the company's revenues and its cash flows. Further, growth and development in port, rail, road infrastructure are also playing a crucial role for its business opportunities which is also dependent on various socio-political aspects and economic scenarios.

Analytical Approach: Standalone

Applicable Criteria :

Rating Methodology for Service Sector Entities
Financial Ratios & Interpretation Non- Financial Sector
Criteria for assigning rating outlook

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate marked by expected GCA of Rs.47.83 crore to Rs.58.97 crore from FY24-FY26, as against scheduled debt repayments of Rs.15.10 crore to Rs.10.68 crore in the same period. Further, its bank limits remained moderately utilized to the extent of ~67.07% during the past 12 months ended July 2023 indicating moderate liquidity buffer and cash and bank balances stood at Rs.2.38 crore in FY2023. The current ratio stood at 1.36x in FY2023 and remained satisfactory.

About the Company

The company was incorporated in January 2010 by Mr. Sanjay Gupta. The company is engaged in the business of providing road transportation services and warehousing facilities. The company is majorly providing end-to-end supply chain services including logistics and warehousing and has presence in more than 70 locations. As on March 31, 2023 AVG has a fleet size of more than 1200+ vehicle, including hired & owned dry/reefer vehicle. The company has various reputed clientele spread across sectors like FMCG, Automotive parts and equipment's, Pharmaceuticals and Consumer durables. The company is providing services to various domestic and international clients. The Company has got its listing on the NSE & BSE.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	431.64	427.10
EBITDA	40.67	74.96
PAT	0.95	7.88
Total Debt	115.43	112.35
Tangible Net worth*	73.87	78.34
EBITDA Margin (%)	9.42%	17.55%
PAT Margin (%)	0.20%	2.60%
Overall Gearing Ratio (x)	1.56x	1.43x

**as per Infomerics standards*

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Status of non-cooperation with previous CRA : Nil

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Date: Feb 07, 2023	Date(s) & Rating(s) assigned in 2021-22 Date: Jan 24, 2022	Date(s) & Rating(s) assigned in 2020-21 Date: Oct 27, 2020
1	Term Loan/Cash Credit	Long Term	87.46	IVR BBB- (Stable) (Pronounced as IVR Triple B Minus with Stable Outlook)	IVR BBB-/ RWDI (IVR Triple B Minus with Rating Watch with Developing Implication)	IVR BBB-/ CWDI (IVR Triple B Minus under Credit Watch with Developing Implications)	IVR BBB-/ CWDI (IVR Triple B Minus under Credit Watch with Developing Implications)
2	Proposed	Long Term/ Short Term	25.00	IVR BBB- (Stable)/A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit				50.00	IVR BBB- (Stable) (Pronounced as IVR Triple B Minus with Stable Outlook)
Long Term Bank Facilities – Term Loan				37.46	IVR BBB- (Stable) (Pronounced as IVR Triple B Minus with Stable Outlook)
Long Term/Short Term Bank Facilities (Proposed)				25.00	IVR BBB- (Stable)/A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-AVG-dec23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com