



Press Release

AVG Logistics Ltd

Feb 07, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	59.17	IVR BBB- /RWDI Outlook (Pronounced as IVR Triple B Minus with rating watch with developing implication Outlook)	IVR BBB- /CWDI Outlook (Pronounced as IVR Triple B Minus with Credit watch with developing implication Outlook)	Re-affirmed	Simple
Short Term bank Facilities	10.00	IVR A3	IVR A3	Re-affirmed	Simple
Total	69.17 (Rupees Sixty Nine Crores & Seventeen Lakhs Only)				

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings re-affirmed 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 metrics. Further, the ratings also derive comfort from its improvement in scale during FY22 and sustained performance in H1 FY23.

However, these rating strengths partially offset by high 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 rating remains under rating watch with developing implications due to the qualified opinion in the internal control reported by the statutory auditor. Infomerics will continue to monitor the developments in this regard and will take a



Press Release

view on the rating once the exact implications of the above on the credit risk profile of the company are clear.

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

Downward Factors

- Any decline in the revenue and profitability on a sustained basis
- Moderation in the capital structure and debt protection metrix.
- 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, marketing and general administration.



Press Release

- **Established and diversified customer base**

The company is associated with reputed companies like Nestle, Hindustan Unilever Limited (HUL), Mother Dairy 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 ~71.37 % of revenues in FY2022. 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.

- **Comfortable capital structure with moderate debt protection metrics**

The capital structure of the company remained comfortable over the past fiscals. The overall gearing remained comfortable at 1.40x as on March 31, 2022 marginally deteriorated from 1.38x as on March 31, 2021 due to increase in total debt in FY22. The net worth of the company went up from INR 76.99 Cr in FY21 to INR 82.23 Cr in FY22 majorly due to accretion of profits to reserves. Further, total indebtedness of the company as reflected by TOL/TNW remained stable and comfortable at 2.12x as on March 31, 2022 (TOL/TNW at 1.97x in FY21).

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, the company also faces competition from the domestic operators also. Intense competition restricts the bargaining power and affect the profit margins to an extent. Due to high competition in the



Press Release

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 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.

- **Moderation in profitability**

The profit margins of the company remained thin in FY22 due to intense competition in the operating spectrum along with low value additive nature of its operations and sluggish economic scenarios. The operating margin remained comfortable and stood at 6.66% in FY22 as against 4.33 % in FY21..

- **Moderate Working capital intensive nature of operations marked by elongated receivable period**

The operations of the company are working capital intensive as reflected by working capital cycle of 54 days (though remained below 100 days in last 3 years), majorly due to stretched receivables (at 74 days in FY22 though improved from last year, at 91 days).

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodology for Service Sector entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)
[Criteria for assigning rating outlook](#)



Press Release

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate marked by expected GCA of ~INR 20.11 Cr – ~INR 46.72 Cr from FY23-FY25, as against scheduled debt repayments of INR 16.54 Cr – INR 12.72 in the same period. Further, its bank limits remained moderately utilized to the extent of ~85.44% during the past 12 months ended Oct 2022 indicating moderate liquidity buffer and cash and bank balances stood at INR 5.13 Cr in FY22. The current ratio stood at 1.46x in FY 22 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 December 31, 2022 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.

Financials (standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	333.38	432.07
EBITDA	14.43	28.77
PAT	-1.78	6.03
Total Debt	106.52	115.43
Tangible Net worth*	76.99	82.23
EBITDA Margin (%)	4.33	6.66
PAT Margin (%)	-0.53%	1.39%
Overall Gearing Ratio (x)	1.38x	1.40x

*as per Infomerics standards



Press Release

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 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 Dated : Jan 24 th , 2022	Date(s) & Rating(s) assigned in 2020-21 Dated : Oct 27 th , 2020	Date(s) & Rating(s) assigned in 2019-20
1	Term Loan	Long Term	59.17	IVR BBB-/RWDI (IVR Triple B Minus with rating watch with developing implication Outlook)	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	Bank Guarantee	Short term	10.00	IVR A3	IVR A3	IVR A3	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.



Press Release

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

For more information visit www.infomerics.com

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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- /RWDI Outlook (Pronounced as IVR Triple B Minus with rating watch with developing implication Outlook)
Long Term Bank Facilities – Term Loan	9.17				IVR BBB- /RWDI Outlook (Pronounced as IVR Triple B Minus with rating watch with developing implication Outlook)
Short Term Bank Facilities – Letter of Credit/Bank Guarantee	10.00				IVR A3

Annexure 2: List of companies considered for consolidated analysis: N.A



Press Release

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-AVG-feb23.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

