

Rating Rationale

Brickwork Ratings upgrades Ratings to ‘BWR BBB’ and reaffirms ‘BWR A3’ for the Bank Loan Facilities aggregating ₹ 145 Cr of Anand Transport Pvt. Ltd

Brickwork Ratings (BWR) has *upgraded* the **Rating¹** of Anand Transport Pvt. Ltd (*ATPL or ‘Company’*) from ‘BWR BBB-’ (BWR Triple B Minus) with Stable Outlook to ‘*BWR BBB*’ (BWR Triple B) with *Stable Outlook* for ₹ 85 Cr (enhancement from ₹ 35 Cr) and has *reaffirmed* ‘*BWR A3*’ (BWR A Three) for ₹ 60 Cr (enhancement from ₹ 5 Cr).

Facility	Amount (₹ Cr)	Tenure	Rating
<u>Fund Based Working Capital</u>	85.00	Long Term	BWR BBB [BWR Triple B] (Outlook – Stable)
Bank Guarantee	60.00	Short Term	BWR A3 (BWR A Three)
Total	145.00	(INR One Hundred & Forty Five Crores only)	

The rating has, inter alia, factored the competence of the Company in the logistics of bulk cargo, its presence in major ports across the eastern coast of the country, long term relationship with a few large companies, significant improvement in operational performance during the last 2 years, renewal of contracts with existing client, addition of fresh contracts and ownership of unused land that can be easily liquidated. It is however constrained by client concentration, time taken for receipt of payments from clients, availability of raw material and trade restrictions imposed either by the port or by various government agencies time to time.

BWR has essentially relied upon the audited financial results of Anand Transport Pvt Ltd up to FY13, provisional results for FY14 and information and clarifications provided by the Company.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Background:

MGM Group promoted by Dr. M.G. Muthu started its transportation activity in the year 1965. ATPL started its operations in the year 1987 as partnership firm. During the year 2010, the firm was converted into a Private Limited Company. The key management personnel include Mr. M.G Muthu as the Chairman of the Company, who heads the MGM Group, which has interests in Distilleries, Entertainment and Hospitality industry, etc.

The Directors include Mr. MGM. Maran and Mr. MGM. Anand. The Company is engaged in stevedoring, ship chartering and transportation at major ports on the eastern coast from Orissa to Tamil Nadu. The major clientele include Global Coal Mining Pvt Ltd with whom the Company has a long term arrangement for shipment of Washed Coal from Talcher, Orissa to thermal power plant based in Muddanar, Andhra Pradesh by Rail-Sea-Rail route.

Working Capital Facilities

ATPL has availed fund and non-fund based working capital facilities from State Bank of Hyderabad and Axis Bank. The overall limit provided by the Bank amounts to ₹ 145.00 Cr, consisting of a Cash Credit limit of ₹ 85.00 Cr and Non-Fund Based facilities (BG) of ₹ 60.00 Cr. The borrowings are secured as stipulated by the financing banks. Apart from the above facilities an overdraft limit of ₹ 2.50 Cr and a term loan amounting to ₹ 3.80 Cr is outstanding with Axis Bank which the Company has informed that will be closed / repaid in the near term.

Financial Performance:

The Operating income has increased from ₹ 154.23 Cr during FY12 to ₹ 204.20 Cr during FY13. The Company has informed that has achieved revenue of ₹ 224.92 Cr during FY14. The Net Profit has also shown improvement from ₹ 8.52 Cr during FY12 to ₹ 10.41 Cr during FY13. The Company has estimated to have achieved Net Profit of ₹ 12.41 Cr during FY14. The Company's current ratio has been on a lower side mainly due to longer receivables period. The Company has taken efforts to reduce day's receivable from ~162 days during FY12 to ~113 days during FY13.

Apart from addition of clients, the Company has also informed that it has gathered additional contracts to transport washed coal from two clients until May 2018.

Rating Outlook:

The performance of the Company is expected to remain stable during the next one year, with good improvement in turnover and profits. The accretion of new clients and having long-term contracts are the key positives. Management of receivables, and thereby the working capital, continues to be the key sensitivity.

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