Press Release

Brickwork Ratings assigns BWR BB+ (Stable) / A4+ rating for the Bank Credit Facilities aggregating ₹ 12 Crore of Avaneesh Logistics Pvt. Ltd.

Bank Loan Rating: BWR BB+/ A4+	**Outlook : Stable**

Brickwork Ratings (BWR) has assigned the Rating[1] of **BWR BB+** (Pronounced BWR Double B Plus) with a stable outlook for the long term Bank Credit Facilities (CC) of ₹ 10 Crore and **'BWR A4+'** (Pronounced BWR A Four Plus) for the short term Bank Credit Facilities (BG) of ₹ 2 Crores of **Avaneesh Logistics Pvt Ltd.'s** ("ALPL" or "the Company").

Facility	Limits	Tenure	Rating
Cash Credit	2.50	Long Term	BWR BB+ (Pronounced Double B Plus)
Proposed Cash Credit	7.50	Long Term	BWR BB+ (Pronounced Double B Plus)
B.G	0.5	Short Term	BWR A4+ (Pronounced BWR A Four Plus)
Proposed B.G	1.5	Short Term	BWR A4+ (Pronounced BWR A Four Plus)
Total	**₹12 (INR Twelve Crores only)**		

The rating reflects promoters experience and expertise with established market position in the logistics business, long standing relations with reputed customer base, strong profitability and coverage indicators, huge potential market with increase in industrial activities in the area resulting revenue visibility, and promoters ability to infuse equity as per business requirement.

The rating is however constrained by company's relatively small scale of operations restricting economies of scale, profitability highly susceptible to volatility in fuel prices, industry characterized by severe competition from unorganized players in market, concentrated expertise limiting scope for diversification and exposure to cyclical end user industries.

Financial performance

Revenues increased by 30% to Rs. 40Cr, compared to Rs. 30Cr. in FY11, on account of acquisition of new orders and increase in volumes of material & mineral handling. Recently

[1] ***Please refer to BWR website www.brickworkratings.com for definition of the Ratings.***

company has seen surge in mineral handling activities due to increase in industrial activities in vidharbha area. Company maintains healthy operating margins of 13% on account of better cost management and increase in scale of operations resulting operating leverage. Net profit margin, however have remained thin at 1.5% on account of high director's remuneration and increase in other expenses. Due to service nature of business, Company is not required to maintain any inventory. Company generally provides credit period of average 30-45 days to their clients. However, due to higher business activities during last quarters has resulted in higher debtors days. Creditors which mainly consist of subcontractors provide credit period of 30-45 days for the company. Working capital requirement for the company is higher during peak season due to increase in business activities.

Debt levels mainly consist of working capital limits and term loan taken for purchase of equipments. Debt levels are expected to increase due to increase in bank cash credit limits from Rs. 2.5 Cr. To Rs. 10 Cr. Debt equity ratio is expected to increase in FY13 (although at comfortable level), on account of increase in debt levels, however partly mitigated by increase in networth. Networth of the company has been on upward trend on account of better profitability which is again ploughed back into the business. Comfortable coverage ratios along with low gearing reflects the ability of the company to pay its dues in timely manner and provides further room for additional debt for expansion.

Outlook

Going forward, the firm's ability to maintain favourable capital structure and effectively manage its working capital along with the substantial growth in revenues, profit margins and cash accruals would be key rating sensitivities for the firm.

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