

Rating Rationale

Brickwork Ratings assigns ‘BWR BBB-’ and ‘BWR A3’ for the Bank Credit Facilities aggregating ₹ 80.89 Cr of Agarwal Packers & Movers Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the Bank Credit Facilities of ₹ 80.89 Cr of Agarwal Packers & Movers Ltd.

Facility	Limit (₹ Cr)	Tenure	Rating
Fund Based			
CC	35.00	Long Term	BWR BBB- (BWR Triple B Minus) (Outlook : Stable)
Term Loan	38.89		
Non Fund Based			
BG	7.00	Short Term	BWR A3 (BWR A Three)
Total	80.89	INR Eighty Crores and Eighty Nine Lakhs	

The rating, inter alia, factors the promoters’ strong experience in the logistics industry, established brand image of the Company, substantial growth in turnover over the past three years, and improved financial risk profile. The rating has also taken into consideration the promoter’s commitment to the business which is evident from their capital infusion into the Company during the last two years.

However, the rating is constrained by low profit margins on account of high operating costs, high debt & consequent increased finance cost, and intense competition from the unorganized players in the market. Also, the Company’s average receivables are on a higher side for this line of business.

BWR has essentially relied upon audited financial results up to FY12; provisional financial details for FY13; projected financials for FY14 & FY15, publicly available information and information provided by the management.

Background:

Agarwal Packers & Movers Ltd (APML) is primarily engaged in the business of transportation of house hold goods – domestic and international, commercial bulk transportation of goods/merchandise (tyres, white goods, rubber, paper etc.) and transportation of cars. The Company also provides warehousing facility and air terminal management services.

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

APML was incorporated as 'Agarwal Packers & Movers Pvt Ltd' on 13th July, 2005. Since incorporation till FY09, it had negligible operations and these activities were carried out together with another closely held family company - DRS Logistics Private Limited (DRSL, earlier known as DRS Transport Services), under the trademark of 'Agarwal Packers & Movers'. However, in September 2009, business segments such as home relocation, commercial bulk transportation and warehouse services were started in full swing through existing Agarwal Packers & Movers Ltd. in order to provide appropriate recognition and focus towards its well-established packers and movers business. The Company was converted to Public Limited Company on 23rd Nov, 2010 and subsequently the name was changed to 'Agarwal Packers & Movers Ltd'. The brand name "Agarwal Packers and Movers" is registered in the name of DRSL. However, APML has got a right to use the brand 'DRS Group' and 'Agarwal Packers and Movers' as per Trademark License Agreement dated July 23, 2009, which is valid for 12 years. Moreover, APML has got the Registered Trade Mark for USA, Australia, Canada and European Countries.

Management:

The Company is promoted by Mr Ramesh Agarwal and Mr Rajendra Agarwal who have over two decades of experience in the logistics industry. They started 'packers-and-movers' business in 1987 as a partnership firm under DRSL (earlier known as DRS Transport Services) under the banner of 'Agarwal Household Carriers'(A.P.).

Business Operations:

The Company has a pan India presence with its corporate head office located at New Delhi and a network of 72 offices and 1240 service centers spread across the country. The Company has a fleet of 375 own vehicles including 60 car carriers, 200 house hold good carriers and 115 commercial goods carriers. It also hires around 1000 vehicles from the open market. Domestic household relocation segment (48%) and bulk transportation of goods/merchandise segment (42%) are the major contributors for the revenue of the Company.

Financial Performance:

The company's turnover increased to ₹ 256.87 Crores in FY12 from ₹ 201.89 Crores in FY11. The sales have further grown by 36.63% to ₹ 350.98 Crores in FY13 as per provisional financial information provided by the management. The company also registered an increase in operating profit margin to 5.63 per cent in FY12 due to increasing use of own fleet of vehicles during the year. However, the high interest costs continue to put a strain on the net profit margins of the Company. As of FY12, the company's tangible net-worth was ₹ 21.73 Crores. The Debt equity ratio is at 3.72 times in FY12 which has improved to 1.82 times for FY13 as per provisional financial details. During FY13, the promoter has infused equity (including share premium) amounting to ₹ 21.30 Crs.

Rating Outlook:

The company is a well-known name in the Home Relocation segment, and their overall performance over the next year is expected to be stable. Going forward, the company's ability to register consistent growth in turnover with better operating cost controls, reduction in debt and debt financing costs which will improve profitability margins are the key rating sensitivities.

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