

August 28, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	24.00	SMERA BBB-/Stable (Assigned)
Cash Credit	35.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	7.00	SMERA A3 (Assigned)

SMERA has assigned a long-term rating of '**SMERA BBB-**' (**read as SMERA Triple B minus**) and a short-term rating of '**SMERA A3**' (**read as SMERA A three**) to the Rs.66.00 crore bank facilities of Agarwal Packers & Movers Ltd. (APML). The outlook is '**Stable**'. The ratings derive comfort from the company's established track record of operations, experienced management, strong brand name, reputed clientele, moderate financial profile, wide geographical reach and healthy net profit margin. The ratings also derive comfort from the healthy revenue visibility arising from the company's long-term contracts with institutional clients. However, the ratings are constrained by the susceptibility of the company's profit margins to competitive pressure and fuel price fluctuations. The ratings are also constrained by the company's asset-intensive business.

APML, incorporated in 2005, is a Mumbai-based company engaged in providing third-party logistics and warehousing services. APML benefits from its experienced management. Mr. Ramesh Agarwal, founder-director of APML, has around three decades of experience in the company's line of business. APML has a strong brand recall in the household relocation business; the company has been appreciated by the LIMCA book of records for undertaking 62,000 packing orders in a year. APML caters to various reputed institutional clients, including Maruti Suzuki India Limited, Blue Star Limited and Samsung India Electronics Pvt. Ltd. APML's moderate financial risk profile is marked by gearing (debt-equity ratio) of 1.27 times (provisional) as on March 31, 2014 and interest coverage ratio of 3.36 times (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). The company reported healthy net profit margin of 3.83 per cent (provisional) in FY2013-14. APML's service network is spread across India. The company's long-term service contracts with institutional clients provide healthy revenue visibility.

APML faces competition from several players in the unorganized sector of the logistics industry. The company also competes with various well-established players, including TCI, DHL, PCCLL and GATI. APML's household relocation business is fixed asset-intensive, while the company's commercial logistics business is working capital-intensive. APML's profit margins are susceptible to rise in fuel prices.

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Outlook: Stable

SMERA believes APML will maintain a moderate business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and cash accruals while maintaining a comfortable working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the company's cash accruals, or in case of stretch in the company's working capital cycle and deterioration in the company's debt protection metrics on account of larger-than-expected debt-funded capex.

About the company

APML, incorporated in 2005, is an ISO 9001:2008 certified company based in Mumbai. AMPL is engaged in providing third-party logistics and warehousing services across India. Company is known for innovation in logistic industry. AMPL is promoted by Mr. Ramesh Agarwal.

For FY2012-13, APML reported profit after tax (PAT) of Rs.7.43 crore on net sales of Rs.359.29 crore, as compared with PAT of Rs.2.80 crore on net sales of Rs.256.89 crore in FY2011-12. The company's net worth stood at Rs.46.36 crore as on March 31, 2013, as compared with Rs.18.25 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Sanjay Kher Head, Sales – Corporate Ratings Tel: +91 22 6714 1193 Cell: +91 98191 36541 Email : sanjay.kher@smera.in Web: www.smera.in	Ashutosh Satsangi Vice President – Operations, Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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