



# CREDIT RATING REPORT & ANALYSIS

## CREDIT RATING REPORT

<b>DATE</b>	February 16, 2023
<b>REPORT VALIDITY</b>	February 15, 2024
<b>PREPARED FOR</b>	Avocom Law Firm LLP
<b>REPORT PREPARED BY</b>	International Credit Rating Agency LLC
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<b>CURRENCY USED IN THIS REPORT</b>	This report is presented in Pound Sterling (GBP) unless otherwise noted.

### ICRA Assigned Rating

<b>AA</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
EXCELLENT	<b>STRONG</b>	GOOD	AVERAGE	POOR

## EXECUTIVE SUMMARY

Avocom is a UK-based law firm with offices in Italy, Peru, and the UAE that provides a wide range of legal services to individuals and businesses in various geographies. Based on the submitted documents and information, ICRA has assigned a final rating of "**A**" [**Strong**] after carrying out an in-depth analysis of the qualitative and quantitative factors. The aforementioned final rating is mainly supported by the following factors:

- Well qualified management team with proven track record and years of industry experience
- Sound corporate credit score with "low risk" category. (Source: CreditSafe)
- Significant revenue growth with increased profitability during FY 2022
- Increased asset base with low leverage
- Positive and improving profitability and growth indicators
- Sound liquidity position with a favourable growth in working capital and net worth
- Business partners contribution for the funding with zero external debts

The company's financial analysis was based on unaudited financial statements because LLPs firms in UK are exempt from audit under Section 477 of the Companies Act 2006. A detailed analysis of the above-mentioned factors can be found in the latter part of this report.

### **FACTORS THAT COULD LEAD TO AN UPGRADE**

An upgrade to the assigned rating can be reviewed if:

- The company will have a healthy bank statement with credit transactions which are in line with the revenue reported in the financial statements.
- A robust collection strategy to be devised by the company to improve the deteriorating state of its account receivables and prevent any potential bad debts. Moreover, the average collection period needs to be improved quite significantly.

### **FACTORS THAT COULD LEAD TO A DOWNGRADE**

The assigned rating could further be downgraded if:

- The accounts receivables continue to accrue without any major improvement.
- The ratings may also be downgraded in the event that there are no major improvements in credit transactions of bank statement and the same remains inconsistent with the reported revenue in the financials.

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## RATING APPROACH

### Scope of the Report

- Background of the company
- Management background
- Business risk profile and industry overview
- Financial statements Analysis
- Bankers Information
- ICRA Rating

### Sources of the Information

- KYC documents
- Audited Financials and Bank statements
- Corporate communications
- Management discussion
- Media & web articles

### Methodology

Financial information obtained from annual audited reports and bank statements was studied and analyzed. Required clarifications were sought from the concerned company officials, wherever necessary. Other information was obtained from the relevant public sources.

## COMPANY DETAILS

### AVOCOM LAW FIRM LLP

#### Contact Details

ADDRESS	41 Devonshire Street, Ground Floor, London, England, W1G 7AJ
KEY PERSON	Mr. Francesco Del Bene
TELEPHONE	+442036081396
WEBSITE	www.avocom.co.uk
EMAIL	avocom.uk.headquarters@avocom.co.uk
TOTAL EMPLOYEES	15

#### Registration Details

REGISTRATION NO.	OC428947
DATE OF REGISTRATION	September 19, 2019
LEGAL STRUCTURE	Limited Liability Partnership
REGULATORY BODY	Solicitors Regulation Authority
REGISTERED OFFICE	41 Devonshire Street, Ground Floor, London, England, W1G 7AJ

#### Shareholding Pattern

Sr. No.	Name of Directors	Shareholding Pattern
		(in %)
1	Mr. Francesco Del Bene	50
2	Mr. Rene Fritz Freiburghaus	50
	<b>Total</b>	<b>100</b>

## BUSINESS OVERVIEW

### Company Background

- Avocom was established in the year 2019 as Limited Liability Partnership. The company is registered in the United Kingdom under registration number OC428947.
- It is a UK based law firm that provides a wide range of legal services to individuals and businesses. With a highly skilled and dedicated team of attorneys, the firm is committed to deliver high-quality legal advice and representation. It aims to provide customers with services that are based on the latest reforms in professional standards and laws and regulations.
- The company specializes in Corporate and M&A, Commercial Contracts, Real estate, Aviation, Private Equity, International Dispute, Bankruptcy, Restructuring and Insolvency, Labour Law, Banking and Finance, Family Office, Tax Structures and Intellectual Property.
- The firm has offices in UK, Italy, Peru and UAE and is equipped to handle complex legal matters. The company attorneys work closely with clients to understand their unique needs and objectives, and develop effective legal strategies that achieve the best possible outcomes.
- The company advises its clients on how best to structure and arrange their affairs. The variety of commercial and personal interests within a high-net-worth family can be wide and changeable. The team has extensive experience in international and commercial arbitrations across several jurisdiction. A step-by-step guidance is provided to clients about their domestic or cross-border disputes with a strategic approach to litigation coordinated across jurisdictions.
- On the real estate front, the firm provides specialist advice and support across a wide range of real estate transactions. The team also advises on matters concerning the rights of creditors, recovery, such as restructuring outside of insolvency proceedings, and the powers and duties of liquidators and receivers.

## **Management Background**

The management of the company is vested with Mr. Francesco Del Bene. He obtained a law degree in 1990 at the University of Rome "La Sapienza"; Masters in Banking and Financial Law (Lecce, 1990-1991). He has been a member of the Bar Association since 1993. He has been teaching at various international well-known universities, and some of which are Washington University in St. Louis, School of Law, University of Cassino, Helsinki School of Economics and Business Law, Helsinki, Finland.

He was of Counsel and Partner of leading international law firms including BBLP Pavia e Ansaldo, Eversheds, Pirola Pennuto Zei & Associati - PriceWaterhouse Coopers; Co-Founding Partner of Del Bene De Vitis & Associati; Co-Founding Partner of AVOCOM – Associated Professional Firms (Studio Del Bene & Associati, Studio Guslandi - Chartered Accountants and Legal Auditors, Studio Balestra Orione, Vaccari - Farrauto, Prof. Avv. Guido Bonfante Law Firm) and of Avocom Law Firm LLP (in alliance with Arkios Legal).

He specializes in the sectors of financial intermediation, banking and structured finance [non-performing loans, CLO (Collateralized Loan Obligations) and CDO (Collateralized Debt Obligations), CMBS (Commercial mortgage-backed security), CLN (Credit Linked Notes), financing corporate-working capital transactions, new investments, medium or long-term debt restructuring, securitization, M&A, real estate financing.

He collaborated with the Institute of Monetary, Banking and Financial Studies - "Luigi Einaudi", based in Rome, founded in 1965 by the Bank of Italy and ABI - the Italian Banking Association. From 1997 to 1999 he was an effective member of the editorial board of the journal "Giurisprudenza di merito", Giuffrè ed. He also collaborates in various capacities with numerous national and international journals. In March 2001, he was designated by the General Management of Banca Commerciale Italiana SpA as a member of the Technical Committee set up at the CERADI of the LUISS Guido Carli University for the development of the three-year project on research in the banking sector and financial contracts.

He was legal advisor, mainly on corporate governance and the protection of savings, to the VI Permanent Committee on Finance and Treasury of the Senate of Italy (Pres. Sen. Hon. George Welcome). He is an ordinary member, among others, of the Italian Association of European Lawyers; IBA Banking Law Committee and Academic Forum; AIFI Italian Association of Private Equity and Venture Capital.



## INDUSTRY OUTLOOK

### Legal Advisory Services Industry

The legal advisory industry can be defined as providing legal services and advice to individuals, organizations, and governments in a wide range of matters such as litigation, transactional law, regulatory compliance, and other legal services. Legal advisors are the lawyers who provide legal counsel to the aforementioned parties. Due to the complex corporate environment and rapid transformation in the compliance requirements, legal advisory services have become essential and popular in every business.

The global legal advisory market was valued at \$669.4bn in 2022 and is expected to increase up to \$1,049bn by 2032, with a CAGR of 4.6%. Increasing pressure on businesses to improve their efficacies, risk mitigation, and complex business and corporate strategies provide opportunities for the legal and compliance industry to involve businesses more. As per Fact.MR researchers, average annual spending by companies on legal and compliance services accounts for 0.23% of their total revenues and is expected to significantly increase in the coming ten years.

When looking at the geographical breakdown, East Asia holds the largest market share followed by North America, Europe, and South Asia in the global legal advisory industry. The commercial law segment accounts for the largest contributor with 43%, followed by intellectual property and tech law and real estate law. During the post pandemic period, the global business outlook revamped with a new trend in new business ideas and startups. Nevertheless, small and medium businesses started looking forward to M&As, IPOs, and complex funding to sustain their businesses. As a result, the global legal advisory industry initiated catering innovative and customized advisory services to businesses.

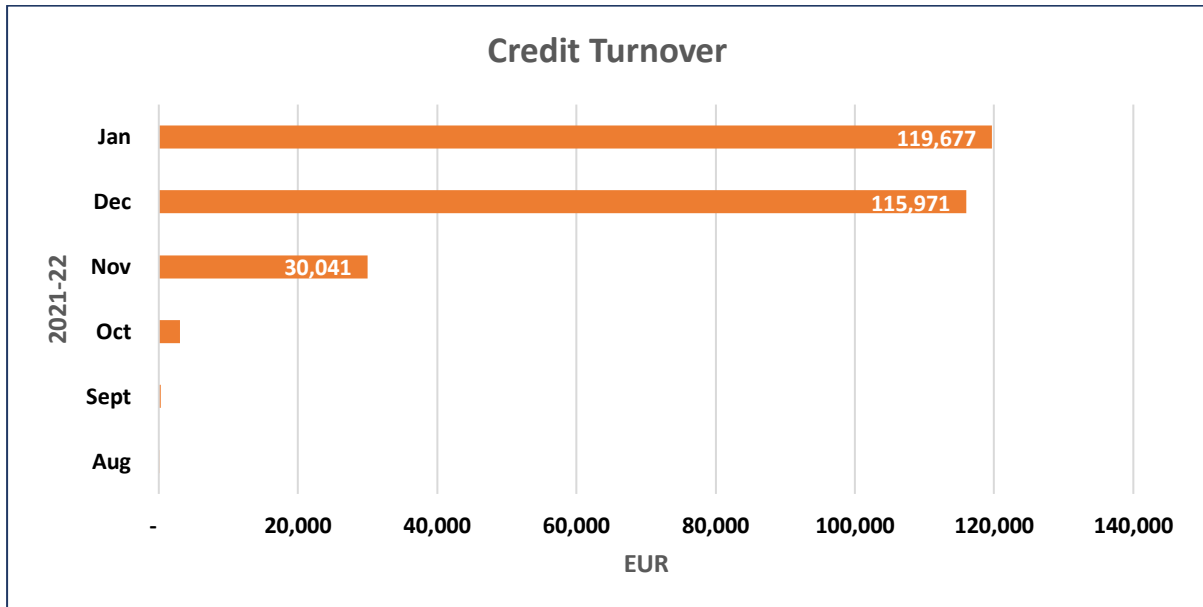
Below are a few of the latest trends in the legal advisory industry;

- Increase in legal tech spendings
- Automation of the management of legal documentation
- Virtual legal assistants and legal chat bots
- Digital identity management tools
- AI supported tech legal solutions
- Smart contracts and blockchain

We expect the legal advisory industry to have a positive industry outlook and low business and industry risk in the coming years. Further innovation and growing trends will boost the industry's profitability, along with the urge to introduce new features and ways to collaborate with businesses' legal matters.

## FINANCIAL ANALYSIS

### Bank Statement Analysis



CREDIT TURNOVER AS PER BANK STATEMENTS					
Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
5	239	3,025	30,041	115,971	119,677
Q1 (Aug – Oct)			Q2 (Nov – Jan)		
3,269			265,689		

The company has provided bank statement from Wise Payments Ltd. for the last six months (Aug 2022 – Jan 2023), transactions of the statement are in EUR and USD currencies. However, we have only considered the EUR statements for the analysis as USD statement's credit turnover is insignificant.

Total credit turnover for the last six months is EUR 268,958 whereas average monthly credit stands at EUR 44,826. Credit turnover has varied from month on month. Turnover increased consistently from month on month throughout the last six months. Comparing quarterly, credit turnover jumped significantly in the second quarter (Nov – Jan) by 8027% and was calculated at EUR 265,689. This has been led by high business volume in the last quarter, especially in the month of January 2023. The company's turnover peaked in January 2023 at EUR 119,677, while EUR 5 in August 2022 was the lowest number of credits.

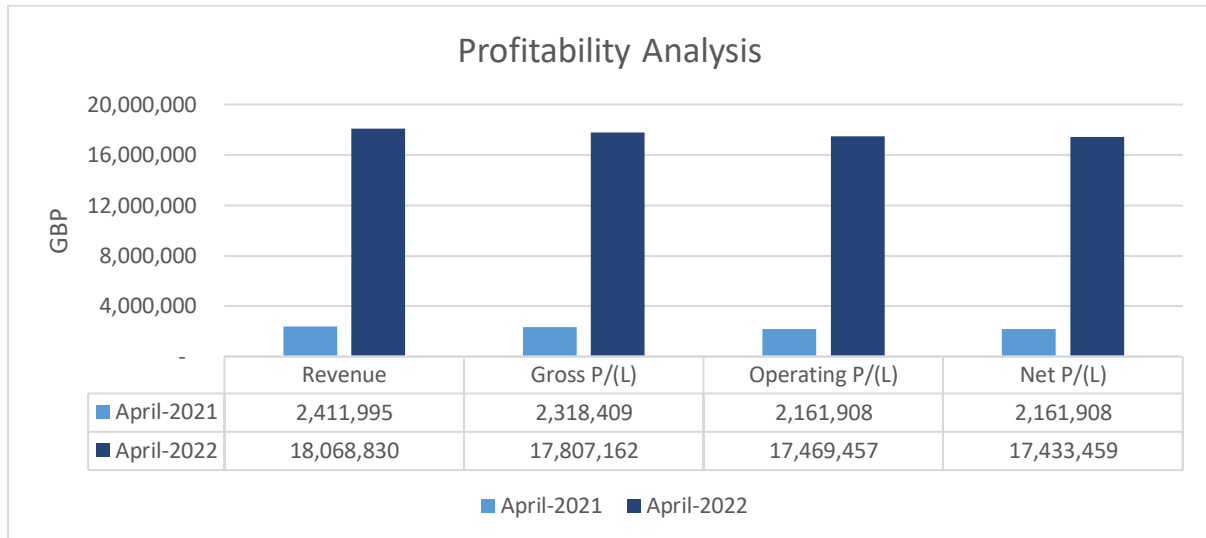
## Financial Statement Analysis

Periodic Comparison			
	April-2021	April-2022	April-2021 vs April-2022
Revenue	2,411,995	18,068,830	↑ 649%
Cost of Sales	93,586	261,668	↑ 180%
Gross Profit/(Loss)	2,318,409	17,807,162	↑ 668%
Opt. Expenses	156,501	337,705	↑ 116%
Interest Expenses	-	35,998	-
<b>Net Profit/(Loss)</b>	<b>2,161,908</b>	<b>17,433,459</b>	↑ 706%
Fixed Assets	-	-	-
Inventories	-	-	-
Trade Receivables	8,007,667	25,235,814	↑ 215%
Cash	71,028	3,640	↓ -95%
<b>Total Assets</b>	<b>8,078,695</b>	<b>25,239,454</b>	↑ 212%
Current Assets	8,078,695	25,239,454	↑ 212%
Current Liabilities	-	-	-
<b>Working Capital</b>	<b>8,078,695</b>	<b>25,239,454</b>	↑ 212%
<b>Net Worth</b>	<b>8,078,695</b>	<b>25,239,454</b>	↑ 212%

## **Ratio Analysis**

<b>Growth Ratios</b>	<b>April-2021</b>	<b>April-2022</b>
Net Sales Growth (%)	-	649.1%
Gross Profit Growth (%)	-	668.1%
Net Profit Growth (%)	-	706.4%
<b>Profitability Ratios</b>	<b>April-2021</b>	<b>April-2022</b>
Gross Profit Margin (%)	96.1%	98.6%
EBIT Margin (%)	89.6%	96.7%
Net Profit Margin (%)	89.6%	96.5%
Return on Equity (%)	26.8%	69.1%
Return on Assets (%)	26.8%	69.1%
Return on Capital Employed (%)	26.8%	69.1%
<b>Leverage Ratios</b>	<b>April-2021</b>	<b>April-2022</b>
Debt-to-equity Ratio (times)	0.0	0.0
Equity Ratio (times)	1.0	1.0
Debt Ratio (times)	0.0	0.0
<b>Efficiency Ratios</b>	<b>April-2021</b>	<b>April-2022</b>
Average Collection Period (Days)	1211.8	509.8
Interest Coverage Ratio (Times)	-	485.3

## Profitability Analysis

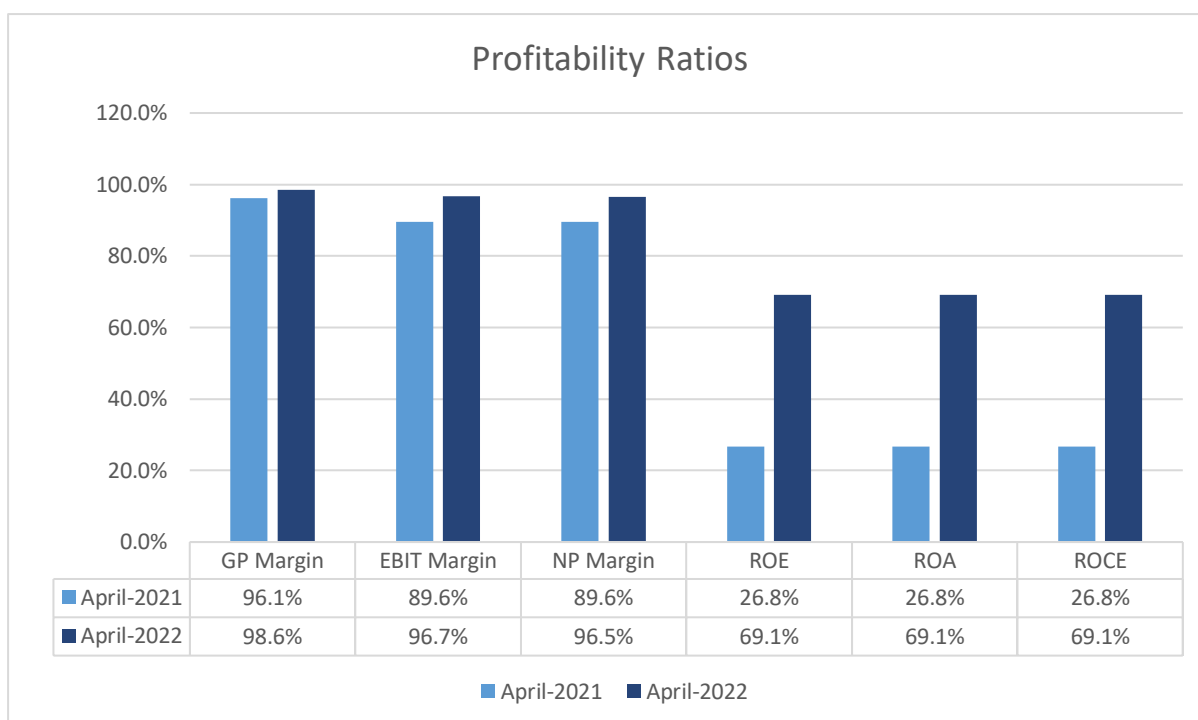


The Company generates revenue by providing legal services to corporate, institutional investors, and private individuals.

Company has demonstrated a significant increase in revenue growth for the period under review. The revenue growth has been 649% in FY 2022. In absolute terms, revenue has jumped from GBP 2.4 million in 2021 to GBP 18 million in FY 2022.

Similar to revenue, gross profit has also shown upward movement in the latest fiscal year. Gross profit improved by 668% during the review period. Although, direct costs have risen but due to higher proportionate increase in revenue growth, company has managed to achieve a significant increase in gross profit.

In correlation to revenue and gross profit, the net profit and operating profit have also demonstrated an increased tendency over the period under review. The net profit increased by 706% in FY 2022. Although operating expenses rose by 116% in FY 2021, growth in revenue offset the increment in operational expenses and finance costs, enabling the company to achieve growth in profitability.



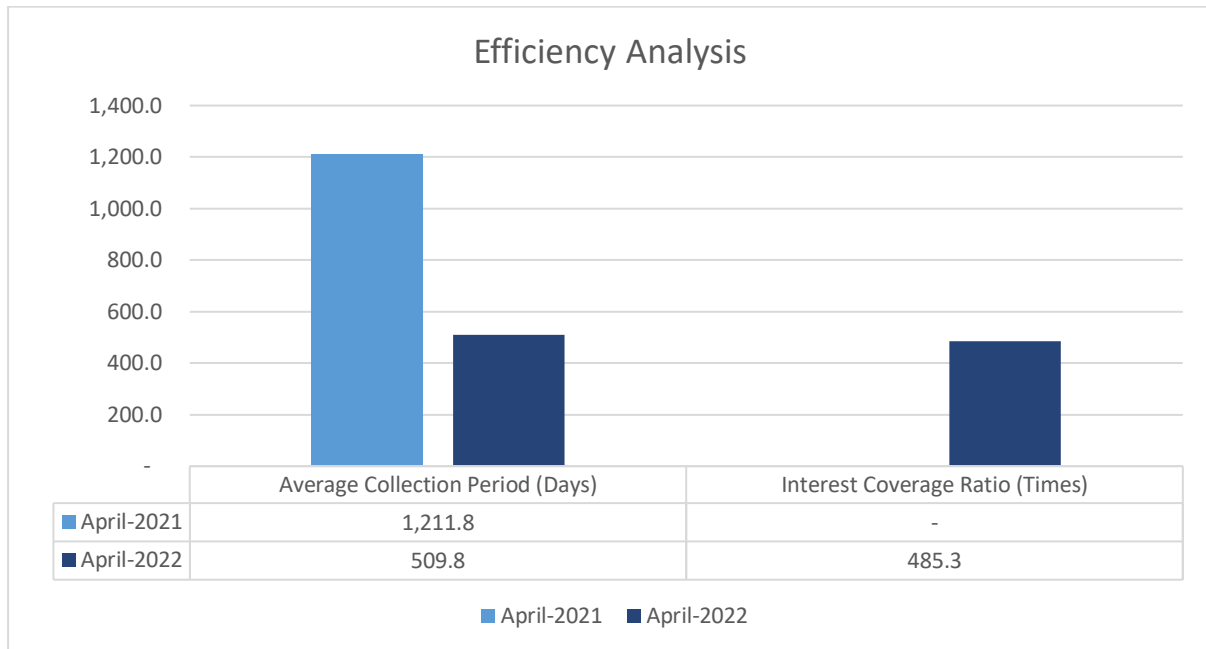
The gross profit margin has improved marginally in FY 2022 as compared to FY 2021. The margin increased from 96.1% in FY 2021 to 98.6% in FY 2022 due to significant growth in revenue. Direct costs as percentage of revenue decreased from 4% in FY 2021 to 1.44% FY 2022. Similarly, indirect costs also reduced to 6.48% in FY 2022 from 1.87% in FY 2021.

Costs as a percentage of Revenue		
	2021	2022
Direct Costs	4%	1.44%
Indirect Costs	6.48%	1.87%

The operating and net profit margins showed improvement throughout the review period. The operating margin increased from 89.6% to 96.7% in FY 2022. This has been driven by a 649% rise in revenue in FY 2021 while operating expenses rose by 116%. As a percentage of revenue, indirect costs reduced in 2022, resulting in higher operating margins. Similarly, net margin also showed improvement in FY 2022 and noted at 96.5%. A tight control over direct and indirect costs is the major contributor towards the improvement in net margins.

Similar to gross and net margins, return on equity and return on assets have also improved during the review period. Return on equity improved from 26.8% in FY 2021 to 69.1% in FY 2022. Likewise, return on assets have also enhanced and noted at 69.1% in FY 2022. Return on capital employed calculated at 69.1%, an increase from 26.8% in FY 2021. Overall, the company's profitability has improved quite significantly.

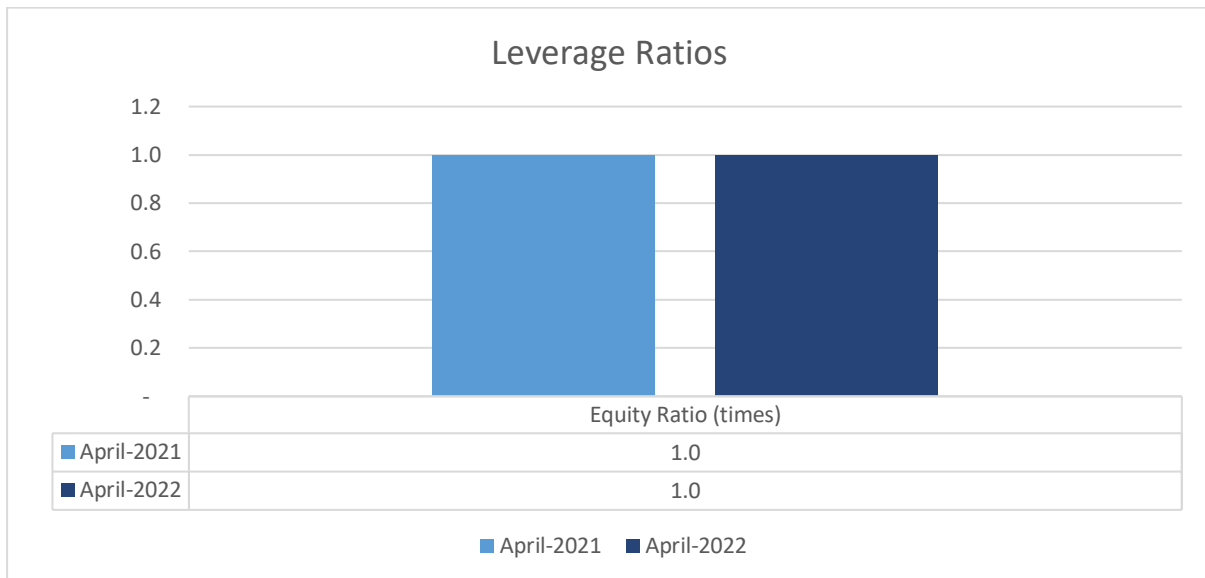
## Efficiency Analysis



The average collection period decreased during the period under review. It declined from 1211 days in FY 2021 to 509 days in FY 2022, pointing out a relatively lesser time spent collecting proceeds from the customers. We infer that the accounts receivable numbers for the current year will also contain carryovers from the prior year because the total amount of accounts receivable for the most recent fiscal year was higher than the revenue. To prevent any potential bad debts, the company must develop a strategy to lower its receivables and enhance its average collection period.

The interest coverage ratio has been computed at 485x, which indicates firm's strong ability to meet its interest obligations in the latest fiscal year.

## Leverage Analysis



The company is not exposed to long-term interest-bearing debt obligations which is a clear indication that company is not relying on borrowings to finance its assets. The equity ratio of the company has remained consistent over the past two years and was calculated at 1x. This shows that the firm is depending mainly on equity funding as opposed to debt financing.



## OTHER DETAILS

### Credit Bureau Report

Credit Score

75 – Low Risk

### Banking Relationships

WISE PAYMENTS LTD	Branch	London
	Address	London, United Kingdom
	Currency	EUR, USD

## ANNEXTURES

### Statement of Income & Expenditure

	April-2021	April-2022
Revenue	2,411,995	18,068,830
Cost of Sales	93,586	261,668
<b>Gross Profit/(Loss)</b>	<b>2,318,409</b>	<b>17,807,162</b>
<u>Operating Expenses</u>		
Sales & Marketing	-	-
General & Admin Expenses	156,501	337,705
Depreciation & Amortization	-	-
Other Operating Expenses	-	-
<b>Total Operating Expenses</b>	<b>156,501</b>	<b>337,705</b>
<b>Operating Profit/(Loss)</b>	<b>2,161,908</b>	<b>17,469,457</b>
Other income	-	-
Interest Expenses	-	35,998
<b>Profit/(Loss) Before Tax</b>	<b>2,161,908</b>	<b>17,433,459</b>
Income Tax	-	-
<b>Net Profit/(Loss)</b>	<b>2,161,908</b>	<b>17,433,459</b>

## Statement of Financial Positions

	April-2021	April-2022
<b>Assets</b>		
Non-Current Assets		
Property, Plant and Equipment	-	-
Other Non-Current Assets	-	-
<b>Total Non-Current Assets</b>	-	-
Current Assets		
Inventories	-	-
Trade and Other Receivables	8,007,667	25,235,814
Other Current Assets	-	-
Marketable Securities	-	-
Cash & Cash Equivalent	71,028	3,640
<b>Total Current Assets</b>	<b>8,078,695</b>	<b>25,239,454</b>
<b>Total Assets</b>	<b>8,078,695</b>	<b>25,239,454</b>
<b>Equity</b>		
Share Capital	8,078,695	25,239,454
Retained Earnings	-	-
Other equity	-	-
<b>Net Worth</b>	<b>8,078,695</b>	<b>25,239,454</b>
<b>Liabilities</b>		
Non-Current Liabilities		
Long Term Borrowing	-	-
Long Term Provision	-	-
Other Non Current Liabilities	-	-
<b>Total Non Current Liabilities</b>	-	-
Current Liabilities		
Short Term Borrowing	-	-
Trade and Other Payables	-	-
Short Term Provision	-	-
Other Short Term Liabilities	-	-
<b>Total Current Liabilities</b>	-	-
<b>Total Liabilities</b>	-	-
<b>Total Equity and Liabilities</b>	<b>8,078,695</b>	<b>25,239,454</b>

## Reconciliation of Members' Interest

	Members Capital	Other Reserves	Total Equity	Members Capital classified as Debt	Other Amounts	Total Debts
Opening Balance 06-04-2020	26,135	-	<b>26,135</b>	(139,116)	139,116	-
Profit/loss during the year	-	2,161,908	<b>2,161,908</b>	-	-	-
Other divisions	-	(2,161,908)	<b>(2,161,908)</b>	-	2,161,908	2,161,908
Member introduced capital	8,060,978	-	<b>8,060,978</b>	-	-	-
Drawings	(8,418)	-	<b>(8,418)</b>	-	-	-
Other Movements	-	-	-	(2,161,908)	-	(2,161,908)
<b>Closing Balance 05-04-2021</b>	<b>8,078,695</b>	-	<b>8,078,695</b>	<b>(2,301,024)</b>	<b>2,301,024</b>	-
Profit/loss during the year	-	17,433,459	<b>17,433,459</b>	-	17,433,459	17,433,459
Other divisions	-	(17,433,459)	<b>(17,433,459)</b>	-	-	-
Member introduced capital	17,433,459	-	<b>17,433,459</b>	-	-	-
Drawings	(272,700)	-	<b>(272,700)</b>	-	-	-
Other Movements	-	-	-	(17,433,459)	-	(17,433,459)
<b>Closing Balance 05-04-2022</b>	<b>25,239,454</b>	-	<b>25,239,454</b>	<b>(19,734,483)</b>	<b>19,734,483</b>	-

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Date: 16/02/2023

  
Auth. Signatory  


-----End of the Report-----