



SMERA RATINGS LIMITED

# Axon Systems Private Limited (ASPL)

## Rating Rationale

**June 15, 2015**

Facility	Amount (Rs. Crore)	Rating
Term Loan (Proposed)	16.00	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.16.00 crore proposed long-term (fund based) bank facility of Axon Systems Private Limited (ASPL). The outlook is '**Stable**'. The rating is constrained by the company's exposure to project-specific risk inherent in the construction project undertaken. The rating is further constrained due to the company's debt servicing ability being dependent on the expected real estate commission income. However, the rating is supported by the company's experienced management and minimal offtake risk.

ASPL, incorporated in 1985, is a Delhi-based company engaged in the business of lease rental. The company has undertaken the construction and development of 3.34 lakh square feet industrial land in Fatehpur village, Haryana to set up a manufacturing unit. This unit is to be rented out to Best Koki Automobile Private Limited (BKAPL; SMERA BBB+/Stable/SMERA A2), a Gurgaon based auto component manufacturing company. The total cost of the project is expected to be around Rs.25.00 crore, of which around Rs.16.00 crore is expected to be funded by term loans, Rs.5.50 crore by way of promoter's contribution and the balance Rs.3.50 crore by way of security deposits to be received by ASPL from BKAPL. The construction of the project is expected to commence on or before September 30, 2015. This has been postponed from the earlier date of March 2015.

ASPL is expected to complete the construction of the project within 15 months from the date of commencement. The company's credit risk profile is exposed to project implementation risk, as any inordinate delays in completion of the project, would lead to stress on the company's financial risk profile.

Also, the company remains exposed to project funding risk, considering that the loan sanction for the ongoing project is pending. The company expects an annual income of around Rs.50-60 lakh from real estate commission from 2017-18. However, ASPL's credit profile may get affected in case the same fails to materialise.

ASPL is headed by Mr. S. K. Jain, Director who has around four decades of experience in the automobile sector. Mr. S. K. Jain, and his son, Mr. Nitesh Jain are also actively involved in managing the day-to-day operations of BKAPL. ASPL faces minimal offtake risk as ASPL has signed a Letter of Intent (LOI) with BKAPL, for renting out its premises, once the construction is completed.

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*Rating  
Rationale*

## Outlook: Stable

SMERA believes ASPL will maintain a stable business risk profile over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company implements the project according to the scheduled timeline and generates steady cash flows from rental income. The outlook may be revised to 'Negative' in case of delays in project execution, or in case of deterioration in the company's financial risk profile and liquidity position.

## About the Project

ASPL has undertaken the construction and development of 3.34 lakh square feet industrial land in Fatehpur village, Haryana to set up a manufacturing unit. The construction of the unit has been postponed by six months to September, 2015. The unit is to be rented out to BKAPL, a Gurgaon based auto component manufacturing company at a cost of around Rs.25.00 crore.

## About the Companies

ASPL, incorporated in 1985, is a Delhi-based company promoted by Mr. S K Jain. The company is engaged in the lease rental business. ASPL's net worth stood at Rs.1.12 crore as on March 31, 2014. The company has reported revenue of Rs.0.03 crore (provisional) for the period April 2014 to March 2015 and the net worth stood at Rs.1.38 crore (provisional) as on March 31, 2015.

BKAPL, incorporated in 2008, is a Gurgaon-based company engaged in the manufacturing of various types of auto components such as shift towers, shift forks and shafts.

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