

Press Release

Ajcon Global Services Limited

October 05, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.9.95 Cr.
Long Term Rating	ACUITE B+/ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.9.95 crore bank facilities of Ajcon Global Services Limited. The outlook is '**Stable**'.

Mumbai-based, Ajcon Global Services Limited (AGSL) was incorporated in year 1986. The company promoted by Mr. Ashok Ajmera is engaged in Stock Broking, Merchant Banking, Investment Banking, Depository Services, Project Consultancy and Equity Research. AGSL has acquired membership of National Stock Exchange, Bombay Stock Exchange for capital market and derivatives and also a depository participant of Central Depository Services Limited (CDSL). The company is listed at Bombay Stock Exchange Limited (BSE).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of AGSL to arrive at the rating.

Key Rating Drivers

Strengths

- **Extensive experience of promoters in the capital markets**

The managing director, Mr. Ashok Ajmera possesses experience of more than three decades in Investment Banking, Depository Services, Project Consultancy, and Equity Research. The extensive experience of the promoter has enabled AGSL to create a pool of large Institutional clients like Life Insurance Corporation (LIC), Punjab National Bank and Bank of Baroda, Bank of India as well as retail clients.

- **Comfortable capitalization**

AGSL has comfortable capitalization supported by tangible net worth of Rs.15.03 crore as on 31 March 2018 as compared to Rs.14.72 as on 31 March 2017. The gearing (debt equity) stood comfortable at 0.27 times as on 31 March 2018 as against 0.42 times in the previous year. The total debt of Rs.4.05 crore comprises of working capital borrowings of Rs.3.59 crore and term loans of Rs.0.46 crore as on 31 March 2018.

Weaknesses

- **Fluctuating Revenue Profile**

The company registered fluctuating revenues during the period under study. The operating income stood at Rs.5.69 crore in FY2018 as against Rs.7.44 in FY2017 and Rs.6.01 crore in FY2016. This was mainly on account of fluctuations in the income from consultancy segment.

- **Susceptibility to uncertainties inherent in the capital market business and intense competition**

AGSL's operating performance is linked to the capital markets, which are inherently volatile as they are driven by economic and political factors as well as investor sentiments. The company's business will continue to be affected by the state of the capital markets, given its focus on equity trading and related activities. The competition from large and established players and technology shift to app based trading will continue to impact the revenue profile of players like AGSL having modest scale of operations.

Outlook: Stable

Acuite believes that AGSL will continue to benefit from its experienced promoters and established client relationships. However, the company's earnings profile and leverage remain key rating sensitivities. The outlook may be revised to positive in case of healthy earnings from broking operations. However, the outlook may be revised to negative in case of any significant deterioration of earnings from broking operations or decline in profitability.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	5.69	7.44	6.01
EBITDA	Rs. Cr.	1.21	1.55	1.54
PAT	Rs. Cr.	0.31	0.41	0.41
EBITDA Margin	(%)	21.22	20.80	25.57
PAT Margin	(%)	5.51	5.47	6.80
ROCE	(%)	5.34	6.46	11.19
Total Debt/Tangible Net Worth	Times	0.27	0.42	0.58
PBDIT/Interest	Times	1.95	2.23	2.10
Total Debt/PBDIT	Times	3.11	3.75	5.32
Gross Current Assets (Days)	Days	887	679	950

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities in Service Sector - <http://acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.95	ACUITE B+/ Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4

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About Acuité Ratings & Research:

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