

## Press Release

### Ajcon Global Services Limited

October 22, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 9.95 Cr.
<b>Long Term Rating</b>	ACUITE B+ /Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

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

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

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

#### Long operational track record and experienced promoters

The promoter, Mr. Ashok Kumar Ajmera is a Chartered Accountant and possesses experience of more than three decades in the various services such as 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 LIC, Punjab National Bank and Bank of Baroda, as well as retail clients. In addition, company is an established player in broking industry as company is operational since 1986.

#### Weaknesses

#### Small scale of operation

The scale of operation of the entity is relatively small as evident from their revenues of Rs. 4.90 crore in FY19 as against Rs. 5.69 crore in the preceding year. The decline in revenues have been due to fall in revenue contribution from broking and consultancy business. In Q1FY20 revenue was Rs.0.788 crore (Q1FY19: Rs.1.822 crore; Q4FY19: Rs.1.32 crore). In FY19, brokerage income had declined due to fall in trade volume in both cash and future & option segments. Consultancy Income had been in declining trend on account of low order flow. Acuite believes the ability of the firm to scale up the operations will remain a key monitorable.

## Modest financial profile

The company has moderate financial risk profile marked by modest net worth, coverage indicator and gearing ratio. Net worth of the company was Rs.15.03 crore in as on 31<sup>st</sup> March' 19 as against Rs 15.03 crore in the previous year. The gearing ratio had been almost similar in FY19 as Debt equity stood at 0.26 times compared to previous year at 0.27times. Debt protection metrics stood at moderate level as indicated from interest coverage of 1.29 times in FY19 as compared to 1.95 times in previous year and debt servicing ratio stood at 1.33 times as against 1.81 times in previous year. The deterioration in debt protection metrics is due to fall in the absolute EBITDA. Acuite believes overall financial profile will continue to remain similar in coming years.

## 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 will continue to impact the revenue profile of players like AGSL having modest scale of operations.

### Liquidity profile: Stretched

Company has stretched liquidity profile as indicated from 95 per cent average utilization of its fund based limit during last 6 month ended August 2019. Cash flow from operation was negative Rs.1.64 crores in FY19 (FY18: Rs.1.98crore) on account of increase in gross working capital .Net cash accrual had also declined to Rs. 0.20 crores during FY19 (FY18:Rs.0.54crore) because of fall in the absolute EBITDA. Acuite expects liquidity profile to remain stretched in the short term because of high gross working capital.

### Rating sensitivities

- Substantial improvement in scale of operation with interest coverage above 1.8 times
- Liquidity profile

### Material covenant

None

### Outlook: Stable

Acuite believes that the company will continue to benefit from the extensive experience of the promoter. The outlook may be revised to 'Positive' in case of higher-than-expected revenues and profitability, leading to a substantial increase in cash accrual. The outlook may be revised to 'Negative' in case of decline in profitability or further deterioration in liquidity profile.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	4.90	5.69	7.44
EBITDA	Rs. Cr.	0.72	1.21	1.31
PAT	Rs. Cr.	0.0	0.31	0.41
EBITDA Margin	(%)	14.65	21.22	20.80
PAT Margin	(%)	0.06	5.51	5.47
ROCE	(%)	3.07	5.34	6.46
Total Debt/Tangible Net Worth	Times	0.33	0.42	0.51
PBDIT/Interest	Times	1.29	1.95	2.23
Total Debt/PBDIT	Times	4.93	3.12	3.75
Gross Current Assets (Days)	Days	904	800	617

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

None

**Any other information**

Not Applicable

**Applicable Criteria**

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

**Note on complexity levels of the rated instrument**

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

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-October-2018	Overdraft	Long Term	3.00	ACUITE B+ / Stable (Reaffirmed)
	Overdraft	Long Term	3.95	ACUITE B+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A4 (Reaffirmed)

**Annexure – Details of instruments rated**

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

**Contacts**

Analytical	Rating Desk
<p>Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a></p> <p>Tonoy Banerjee Analyst - Rating Operations Tel: 033-6620-1206 <a href="mailto:Tonoy.banerjee@acuite.in">Tonoy.banerjee@acuite.in</a></p>	<p>Varsha Bist Manager - Rating Desk Desk Tel: 022-4292-4011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

**About Acuité Ratings & Research:**

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