

Press Release

Ajcon Global Services Limited

January 15, 2021

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the 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 rating continues to reflect the established track record of operations and modest scale. The rating continues to factor in the moderate financial risk profile of the company. Revenue of the company stood at Rs 26.75 cr in FY20 as against Rs 31.21 cr in FY19. Interest coverage of the company stood at negative 0.49 times in FY20 as compared to 1.65 times in FY19. Debt to EBITDA stood at negative 8.63 times in FY20 as against 3.74 times in FY19. This deterioration is on account of EBITDA loss incurred in FY20. Acuité believes the scale of operation and financial risk profile will remain at modest level in medium term.

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

Acuité 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 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

Moderate financial profile

The company has a moderate financial risk profile marked by modest net worth, comfortable gearing ratio and weak coverage indicator. Net worth of the company stood at 12.82 crore as on 31st March'20 as against Rs 14.32 crore in the previous year. The gearing of company stood at 0.35 times as on 31st March 2020 as against 0.27 times as on 31st March, 2019 due to rise in debt level. Debt level includes Rs 4.02 crore of short term debt and Rs 0.15 crore of unsecured debt. TOL/TNW stood comfortable at 0.49 times in FY20. Debt protection metrics stood at weak as indicated from interest coverage of negative 0.49 times in FY20 as compared to 1.65 times in previous year. The deterioration in interest coverage is on account EBITDA losses. Acuité believes financial risk profile is likely to remain at current levels over the medium term because of low

profitability margin.

Deterioration in profitability margin

The company had posted a loss with negative EBITDA margin at 2.34 percent in FY20 as against EBITDA profit margin of 3.03 percent in FY19. This deterioration is on account of losses in proprietary trading segment. Acuite believes the profitability of the company will remain volatile and low in medium term due to fluctuation in stock prices.

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

The company has stretched liquidity profile as indicated from high utilization of working capital limit which stood at 96 percent during last 12 month ended October 2020. Net cash flow from operation stood low at Rs.0.04 crores in FY20. Current ratio stood strong at 2.31 times in FY20 as against 2.51 times in FY19. Moreover, company has high GCA days of 174 days in FY20 due to high inventory days. Acuite believes liquidity profile will continue to remain stretched in medium term due to high working capital requirement.

Rating sensitivities

- Increase in profit margins leading to better debt protection metrics
- Improvement in 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 improvement in the profitability margin, leading to a substantial increase in cash accrual. The outlook may be revised to 'Negative' in case of decline in profitability or deterioration in liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	26.75	31.21
PAT	Rs. Cr.	-1.58	-0.20
PAT Margin	(%)	-5.90	-0.65
Total Debt/Tangible Net Worth	Times	0.35	0.27
PBDIT/Interest	Times	-0.83	1.61

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-October-2019	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)
05-October-2018	Overdraft	Long Term	3.00	ACUITE B+ / Stable (Assigned)
	Overdraft	Long Term	3.95	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A4 (Assigned)

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)

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About Acuité Ratings & Research:

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