

Press Release

Ajcon Global Services Limited

June 16, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	-	ACUITE A4 Reaffirmed & Withdrawn
Bank Loan Ratings	6.95	ACUITE B+ Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	9.95	-	-

Rating Rationale

Acuité has reaffirmed and withdrawn the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 9.95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 rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from the bank.

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. 40.87 Cr against in FY2022 Rs. 47.10 Cr in FY2021 and Rs 26.75 cr in FY20. Debt service coverage of the company stood at 8.13 times in FY22 as compared to 4.40 times in FY21. Debt to EBITDA stood at 0.61 times in FY22 as against 0.79 times in FY21. Acuité believes the scale of operation and financial risk profile will remain at modest level in medium term.

About the company

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

Strength

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. The management team of AGSL comprises of experienced and competent professionals.

Weakness

Moderate financial profile

The company has a moderate financial risk profile marked by modest net worth, comfortable gearing ratio and good coverage indicator. Net worth of the company stood at Rs. 16.87 crore as on 31st March'22 as against Rs. 14.58 crore in the previous financial year. The gearing of company stood at 0.12 times as on 31st March 2022 as against 0.14 times as on 31st March, 2021 due to rise in equity level. Debt level includes Rs 2.03 crore of long-term debt. TOL/TNW stood comfortable at 0.25 times in FY22. Debt protection metrics stood at healthy as indicated from debt service coverage of negative 8.13 times in FY22 as compared to 4.40 times in previous year. PAT stood at Rs. 2.08 Cr in FY2022 against Rs. 1.55 Cr in FY2021 (-Rs. 1.58 Cr in FY2020). Acuité believes financial risk profile is likely to remain at current levels over the medium term because of low profitability margin.

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.

Rating Sensitivity

- Business volumes & operating performance
- Change in profitability metrics due to sharp movement in capital market
- Improvement in Liquidity profile
- Changes in regulatory environment

Material Covenants

AGSL is subject to covenants stipulated by its lenders/investors in respect of minimum Networth stipulation.

Liquidity Position

Stretched

Net cash flow from operation stood low at Rs.0.23 crores in FY2022. Current ratio stood at 7.10 in FY2022 against 3.45 times in FY2021 and 2.31 times in FY2020.

Outlook:

Not applicable

Key Financials - Standalone / Originator

	Unit	FY22 (Actual)	FY21 (Actual)
Operating Income	Rs. Cr.	40.87	47.10
PAT	Rs. Cr.	2.08	1.55
PAT Margin	(%)	5.08	3.28
Total Debt/Tangible Net Worth	Times	0.12	0.14
PBDIT/Interest	Times	9.61	4.38

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Trading Entitie: <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**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Jan 2021	Secured Overdraft	Long Term	3.00	ACUITE B+ Stable (Reaffirmed)
	Secured Overdraft	Long Term	3.95	ACUITE B+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A4 (Reaffirmed)
22 Oct 2019	Secured Overdraft	Long Term	3.95	ACUITE B+ Stable (Reaffirmed)
	Secured Overdraft	Long Term	3.00	ACUITE B+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A4 (Reaffirmed)
05 Oct 2018	Secured Overdraft	Long Term	3.95	ACUITE B+ Stable (Assigned)
	Secured Overdraft	Long Term	3.00	ACUITE B+ Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 Reaffirmed & Withdrawn
Bank of India	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	3.95	ACUITE B+ Reaffirmed & Withdrawn
Bank of India	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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