



**Rating Rationale**

AJS Impex Pvt. Ltd.

29 May 2019

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 447.69 Crores of AJS Impex Pvt. Ltd.**

**Particulars**

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (December, 2017)	Present
Fund Based	106.49	105.19	Long Term	BWR BBB- (BWR Triple B Minus) Outlook: Stable	BWR BBB- (BWR Triple B Minus) Outlook: Stable (Reaffirmed)
Non Fund Based	342.50	342.50	Short Term	BWR A3 (BWR A Three)	BWR A3 (BWR A Three) (Reaffirmed)
<b>Total</b>	<b>448.99</b>	<b>447.69</b>	<b>INR Four Hundred Forty Seven Crores &amp; Sixty Nine Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

**Ratings: Reaffirmed**

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has principally relied upon the audited financial results of FY16-FY18, provisional financials of FY19, projected financial results of FY20-FY21, publicly available information and information/clarification provided by the company's management.

The rating continues to factor long experience of the promoters in the steel trading business; geographically diversified customer base; reputed suppliers base with minimal customer & supplier concentration risk.



The rating is however constrained by working capital intensive nature of business; low profitability margin and susceptibility of business to fluctuation in steel prices.

### Description of Key Rating Drivers

- **Credit Strengths:**
- ***Long Experience of Promoters in the business:*** The founder of the company Mr. Amlulakh B. Mehta started the steel trading business in 1962. He is currently serving as Director of the company. His son Mr. Jayesh A. Mehta, who has over 25 years of experience in the business and is serving as Managing Director of the company.
- ***Geographically diversified customer base:*** The company sells steel coils, plates, sheets to domestic manufacturers/traders, who are spread across states like Maharashtra, Punjab, Gujarat, Madhya Pradesh, Rajasthan, Telangana, Karnataka, Tamil Nadu, Kerala.
- ***Reputed suppliers, minimal customer & supplier concentration risk:*** Top ten customers of the company constitute around 10-15% of its total sales. The company purchases the materials from steel producers in India and abroad. The company purchases from reputed steel producers like Tata Steel Ltd, JSW Steel Ltd, Essar Steel Limited, POSCO, Hyundai Corporation etc. Import is around 17 % of total purchases during FY 18 & FY17 whereas in FY 16, imports were 43% of total purchases. FLCs are issued in favor of the foreign suppliers. The company hedges its forex exposure by booking forward contracts. The company purchases from reputed steel producers like Tata Steel Ltd, JSW Steel Ltd, Essar Steel Limited, POSCO, Hyundai Corporation etc. Top ten suppliers constitute around 25% of its total purchases.
- **Credit Risks:**
- ***Working capital intensive nature of business:*** The company has high inventory, receivables and payables levels in the Balance sheet. Currently its working capital cycle is around 15-20 days. Any prolonged increase in inventory and receivable days can have an adverse effect on the ability of the company to repay its creditors.
- ***Susceptibility of business to fluctuation in steel prices:*** Steel price fluctuations can have an adverse effect on the profitability. The ability of the company to effectively hedge the prices and pass on to the customers holds the key to maintain the profitability level.



## Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### Rating Outlook: *Stable*

BWR believes the **AJS Impex Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### About the Company

AJS Impex Pvt Ltd was incorporated in May 08, 2006 as a private limited company in the name of Jaydev Steel Pvt. Ltd. Later on it changed its name to AJS Impex Pvt Ltd. Originally, it was established in 1962 as a trading firm by Mr. Amlulakh B. Mehta. The Company has its Registered Office at Ahmedabad Street Carnac Bunder Mumbai. It is into the business of trading of Iron and Steel products such as HR plates, HR Coil, and HR Sheets. The company procures its material from domestic suppliers as well as overseas markets such as China, Japan, Korea, Malaysia, Ukraine etc.

### Company Financial Performance

As per the FY18 audited financials, AIPL's TOI stood at Rs. 1232.79 Crores, EBITDA was at Rs.20.53 Crores and PAT was at Rs. 3.11 Crores, as compared to TOI of Rs. 1433.22 Crores, EBITDA of Rs. 24.33 Crores & PAT of Rs. 3.13 Crores in FY17.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	4 <sup>th</sup> Dec 2017	26 Jul 2016	17 Mar 2015
	<b>Fund Based</b>						

1.	Cash Credit	Long Term	100.00	BWR BBB- (BWR Triple B Minus) Outlook: Stable (Reaffirmed)	BWR BBB- (BWR Triple B Minus) Outlook : Stable	BWR BBB- (BWR Triple B Minus) Outlook: Stable	BWR BBB- (BWR Triple B Minus) Outlook: Stable
2.	Term Loan	Long Term	5.19	BWR BBB- (BWR Triple B Minus) Outlook: Stable (Reaffirmed)	BWR BBB- (BWR Triple B Minus) Outlook : Stable	-	-
	Non Fund Based						
3.	Letter of Credit	Short Term	342.50	BWR A3 (BWR A Three) (Reaffirmed)	BWR A3 (BWR A Three)	BWR A3 (BWR A Three)	BWR A3 (BWR A Three)
	<b>Total</b>		<b>447.69</b>	<b>₹ Four Hundred Forty Seven Crores &amp; Sixty Nine Lakhs Only</b>			

#### Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Total Operating Income	Rs. Crore	1232.79	1433.22
EBITDA	Rs. Crore	20.53	24.33
PAT	Rs. Crore	3.11	3.13



Tangible Net worth	Rs. Crore	140.56	138.80
Total Debt/Tangible Net worth	Times	0.44	0.85
Current Ratio	Times	1.36	1.31

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)

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#### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.



BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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