



## Rating Rationale

AJS Impex Pvt. Ltd.

4 December 2017

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities amounting to Rs. 448.99 Cr of AJS Impex Pvt. Ltd.**

### Particulars

Facility	Previous Amount (In Rs. Crs.)	Present Amounts (In Rs. Crs.)	Tenure	Previous Rating	Present Rating*
Fund Based	100.00	106.49	Long Term	BWR BBB- (Outlook: Stable)	<b>BWR BBB- (BWR Triple B Minus) (Outlook: Stable)</b>
Non-fund Based	350.00	342.50	Short Term	BWR A3	<b>BWR A3 (BWR A Three)</b>
<b>Total Limits</b>	450.00	<b>448.99 (INR Four Hundred Forty Eight Crores and Ninety Nine Lakhs Only)</b>			

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

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

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.

**Analytical Approach:** To arrive at the rating BWR has taken standalone view of the company.

### Description of Key Rating Drivers:

#### 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.

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**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 17 whereas in FY 16, imports were 43% of total purchases. FLCs are issued in favour of the foreign suppliers. The company hedges its forex exposure via NSE/BSE through the route of forward booking, call & put option. 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.

**Weakness:**

**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 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 adverse effect on the profitability. The ability of the company to effectively hedge the prices and pass on to the customers hold the key to maintain the profitability level.

**Rating Outlook: Stable**

BWR believes the company’s 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. It has a warehouse in Taloja, Mumbai with total area of 2000 sq. ft.

**Key Financials:**

Amounts in Rs. Cr.	FY 15-16 (Audited)	FY 16-17 (Audited)
Revenue	1219.71	1433.71
EBIDTA	27.89	30.32
PAT	3.13	3.13



Tangible Net worth	124.14	138.73
Total Debt/TNW	0.94	0.85
Current Ratio	1.31	1.31

### Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	26 Jul 2016	17 Mar 2015	2014
1	Bank Loans – Fund Based	Long Term	106.49	<b>BWR BBB-(Stable)</b> <b>Reaffirm</b>	BWR BBB-(Stable)	BWR BBB-(Stable)	-
2	Bank Loans – Non fund Based	Short Term	342.50	<b>BWR A3</b> <b>Reaffirm</b>	BWR A3	BWR A3	
<b>Total</b>			<b>448.99 (Four Hundred Forty Eight Crores and Ninety Nine Lakhs Only)</b>				

### Hyperlink/Reference to applicable Criteria

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

<b>Analytical Contacts</b>	<b>Media</b>
<b>Relationship Contact</b>	
<a href="mailto:Bal_Krishna_Piparaiya@brickworkratings.com">Bal Krishna Piparaiya</a> Chief General Manager - Ratings	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

**DISCLAIMER**

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