



## Rating Rationale

AJSG Motors Pvt Ltd

07 Jun 2019

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 5.22 Crores of AJSG Motors Pvt Ltd.**

## Particulars

Facility	Previous Amount (₹ Crs)	Present Amount (₹ Crs)	Tenure	Previous Rating (25 Apr 2018)	Present Rating*
<b>Fund Based</b>					
Cash Credit	5.00	5.00	Long Term	<b>BWR B+</b> <b>(Pronounced as BWR Single B Plus)</b> Outlook: Stable	<b>BWR B+</b> <b>(Pronounced as BWR Single B Plus)</b> Outlook: Stable (Reaffirm)
Term Loan	0.40	0.22			
<b>Total</b>	5.40	5.22	INR Five Crores Twenty Two Lakhs Only		

\*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 essentially relied upon the audited financial results of the Firm upto FY18, 9 months provisional financial of FY19, projections of FY20, FY21, FY22 and FY23 publicly available information and information/clarifications provided by the management.

The rating draws strength from the extensive experience of management and plan for expansion. The rating, however, is constrained by below average debt protection metrics, moderate scale of operations and below average financial risk profile.

Going forward, the ability of the firm to improve its scale of operations, achievement of projections, sustaining profitability margins, capital infusion in the business, improving gearing levels and overall financial risk profile shall be the key rating sensitivities.



## Description of Key Rating Drivers

### Credit Strengths:

- **Extensive experience of management:** The directors of the Company are: Mr. Jitendra Pal Singh Gujral, Mrs. Kamal Jeet Kaur Gujral, and Mr. Balkirat Singh Gujral. Mr. Balkirat Singh Gujral is the Managing Director of the Company, having experience of 8 years in running transport agency, motorbike dealership, and stone crushing business. Mr. Jitendra Pal Singh Gujral, the main promoter and another Director of the Company has extensive experience in the fields of running petrol pump, transport agency, motorbike dealership, and stone crushing business spanning over 25 years. Their experience and knowledge has helped them in maintaining relationships with their clients.
- **Plan for expansion:** Currently the company has 2 fully functional showrooms and service centres situated at Bareilly and Najeebabad, another showroom and service centre is under process in Moradabad. Also, the company is planning to open two more outlets in the current financial year. Further, they are targeting a turnover of Rs. 75 Cr. by the end of FY20.

### Credit Risks:

- **Below Average debt protection metrics:** The debt protection metrics of the company is below average with an ISCR of 0.54 times and DSCR of 1.14 times till Dec 2018, in order to meet the debt obligations the directors of the company infuse funds in the form of unsecured loans, whenever required.
- **Moderate Scale of operations:** As per the provisional financials till 31-Dec-2018, the company has achieved a turnover of Rs. 18.44 Cr. As evidenced by GST reports, the company has achieved a turnover of Rs. 27.42 Cr. by the end of FY19. However, the company is targeting to achieve a turnover of Rs. 75 Cr. by the end of FY20.
- **Below average financial risk profile:** The below average financial risk profile is evident by the low tangible net worth of Rs. 0.96 Cr. in FY18. The gearing ratio also stood very high at 5.65 times in FY18. As per the 9 months provisional financials of FY19, the gearing ratio further increased to 8.52 times.

## 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 **AJSG Motors 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

AJSG Motors Pvt. Ltd. was incorporated as a private limited company on 22.01.2018. The Company has got the authorised dealership contract from BharatBenz to sell its trucks. In addition to that, it will also sell spares & accessories and provide workshop services for this brand of vehicles. Currently the company has 2 fully functional showrooms and service centres situated at Bareilly and Najeebabad, another showroom and service centre is under process in Moradabad. Also, the company is planning to open two more outlets in the current financial year.

The business model is based upon booking and advance financing by the prospective customer to the Company, after which it would take the delivery of vehicle from BharatBenz and deliver it to the customer. The promoters of the Company are: Mr. Jitendra Pal Singh Gujral, Mrs. Kamal Jeet Kaur Gujral, and Mr. Balkirat Singh Gujral. They are also the Directors of the Company.

### Company's Financial Performance

As per the provisional financials till 31-Dec-2018, the company has achieved a turnover of Rs. 18.44 Cr. As evidenced by GST reports, the company has achieved a turnover of Rs. 27.42 Cr. by the end of FY19. As per the provisional financials, the company has achieved a PAT of Rs. 0.14 Cr. and a net profit margin of 0.75%. The debt protection metrics of the company is below average with an ISCR of 0.54 times and DSCR of 1.14 times till Dec 2018, in order to meet the debt obligations the directors of the company infuse funds in the form of unsecured loans, whenever required. The current ratio is average at 2 times as per the provisional financials.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (Jun 2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	25 Apr 2018	2017	2016
1	Fund Based Cash Credit	Long Term	5.00	<b>BWR B+ (Pronounced as BWR Single B Plus)</b> Outlook: Stable (Reaffirm)	<b>BWR B+ (Pronounced as BWR Single B Plus)</b> Outlook: Stable	N/A	
2	Term Loan		0.22				
<b>Total</b>			<b>5.22</b>	<b>₹ Five Crores Twenty Two Lakhs Only</b>			



**Key Financial Indicators**

Key Parameters	Units	9 Months FY19	2018
Result Type		Provisionals	Audited
Operating Revenue	In Rs. Cr.	18.44	0.00
EBITDA	In Rs. Cr.	0.32	0.00
PAT	In Rs. Cr.	0.14	-0.01
Tangible Net worth	In Rs. Cr.	1.12	0.96
Total Debt/Tangible Net worth	Times	8.52	5.65
Current Ratio	Times	2.00	1.18

**Hyperlink/Reference to applicable Criteria**

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

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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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