

AJAR AMAR STEEL CONCAST

Brickwork Ratings reaffirms the long term rating and assigns the short term rating for the Bank Loan Facilities of ₹ 28 Crores of Ajar Amar Steel Concast (AASC or ‘the firm’)

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (March, 2019)	Present
Fund based	16	19	Long Term	BWR B+ (Stable) Assigned	BWR B+ (Stable) Reaffirm
Non Fund based	-	9	Short Term	-	BWR A4 Assigned
Total	16	28	INR Twenty Eight Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR reaffirms the Long Term Rating assigned as BWR B+ with Stable Outlook and assigns the short term rating as BWR A4

The rating draws strength from the vast business experience of the promoters in the same line of work. The rating is, however, constrained by the new project implementation risk, cyclicality and price fluctuation risk in the iron & steel industry

BWR believes that the business risk profile of “Ajar Amar Steel Concast” will be maintained over the medium term. The ‘stable’ outlook indicates a low likelihood of a rating change in the medium term. The Rating outlook may be revised to “Positive” in case there is significant improvement in revenues, profit margins of the firm going forward. The rating outlook may be revised to “Negative” if there is any deterioration in the financial risk profile including liquidity of the company.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced Promoter:** The Promoters have long experience of more than three decades in the iron & steel industry and have been successfully running another firm Ajar AMAR Steel for the past 25 years. Long track record of the promoters in the industry and established relationship with customers help secure business in the near future.

Credit risks:

- **Project execution risk:** The firm is setting up a rolling mill which is to be funded by bank finance. There exists execution risk as the firm needs to complete the setting up of the new machinery and functioning of the same in the stipulated timelines so as to reach the projected level of operations and revenue.
- **Cyclicality of steel industry:** The steel industry is sensitive to the shifting business cycles including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. The highly capital intensive nature of steel projects along-with the inordinate delays in the completion hinders the responsiveness of the supply side to demand movements. Furthermore, the value addition in steel products like steel ingots is also low resulting in low product differentiation in the market.
- **Exposure to fluctuations in raw material prices:** Raw material consumption is the single largest cost component for the secondary players in the iron and steel industry. Though the prices of finished goods broadly move in tandem with input prices, there may be a time lag which exposes the company to raw material price volatility risk.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Positive: Being able to achieve the projected levels of sales, cash accruals and maintain the financial risk profile of the firm in terms of coverage indicators and overall gearing levels.

Negative: Substantial deviation from financial indicators and any delay or default in the servicing of debt repayments including maintaining adequate liquidity.

LIQUIDITY POSITION : Stretched

As on 31 March 2020, the firm had cash & cash equivalents of Rs.0.29 Crores. As per the FY20 financials, the firm had Term loans from banks of Rs. 8.79 Crores. The firm's debt repayment for the current fiscal is Rs. 0.49 Cr which is sufficiently matched with the projected cash accruals for the year. The Debt coverage indicators of the firm FY20 was reflected in DSCR and ISCR of

Rs.1.35 times each. The current ratio was 1.73 times in FY20. The average utilization level of the working capital limit was approx 40% for the period March - June 2020.

The firm has an associate firm namely “Ajar Amar Steel” which has common partners and is also one of its key customers. However there were no transactions between the firms in the FY20.

FIRM’S PROFILE

Ajar Amar Steel Concast is a partnership concern formed on 11/08/2018 to set up a furnace for production steel ingots. It was set up by Mr. Ajay Kumar Jain, Mr. Rakesh Kumar Jain, Mr. Sorav Jain and Mr. Archit Jain in Ludhiana, Punjab. The plant has commenced commercial operations from March 2020. The firm has a sister concern M/S Ajar Amar Steel set up as a steel rolling mill in Ludhiana, which was established in 1995 as a partnership firm by Mr. Ajay Jain and Rakesh Jain. It is engaged in production of steel rectangular bars and flats. Total plant capacity of AASC is expected at 29000 MT and capacity utilization after stabilization (3rd year onwards) is expected at 75%.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY21	FY20
		Projected	Audited
Operating Income	₹ Crores	64.75	2.13
EBITDA	₹ Crores	4.52	0.10
PAT	₹ Crores	1.25	0.03
Tangible Net worth	₹ Crores	5.80	4.55
Total Debt / Tangible Net worth	Times	2.63	2.41
TOL/TNW	Times	3.81	2.39
Current Ratio	Times	1.29	1.73

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Instrument / Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2019	2018	2017
Fund Based	Long Term	19	BWR B+ (Stable) Reaffirm	BWR B+ (Stable) Assigned	-	-
Non fund Based	Short Term	9	BWR A4 Assigned	-		
Total		28	INR Twenty Eight Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Rating Criteria for Manufacturing Companies**

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Ajar Amar Steel Concast

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	Cash Credit	6	-	6
2		FLC	-	7	7
3		ILC	-	2	2
4	SIDBI	Term Loan	7	-	7
5		Term Loan (Proposed)	6	-	6
TOTAL			19	9	28

Total Rupees Twenty Eight Crores only.

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