



## Rating Rationale

Ajar Amar Steel Concast

23 Mar 2019

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 16.00 Crores of Ajar Amar Steel Concast ('AASC' or 'The Firm')**

### Particulars

Facility *	Amount (Rs. Crs)	Tenure	Rating <sup>^</sup>
<b>Fund Based</b> Cash Credit** Term Loan**	7.00 9.00	Long Term	<b>BWR B+</b> (Pronounced as BWR Single B Plus) Outlook: Stable <b>Assigned</b>
<b>Total</b>	<b>16.00 (INR Sixteen Crore Only)</b>		

<sup>^</sup> Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\* Annexure-I provides details of bank wise facilities

\*\* Multiple Banking Arrangement with Term Loan (proposed) from SIDBI and CC Limit (proposed) from Punjab National Bank.

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

BWR has essentially relied upon the financial projections upto FY26, publicly available information and information/clarifications provided by the management.

While assigning the rating to the company, BWR has factored in the new project risks and industry risks marked by cyclicity of steel industry and fluctuations in the raw material prices.



However the rating partially derives its strength from the partners experience in the steel industry.

Going forward the ability of the Firm to commence the commercial operations as per schedule, achieve the projections, maintain strong credit risk profile and its ability to manage industry risks would remain the key rating sensitivities.

### **Key Rating drivers**

#### **Credit Risks:**

- **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 supply side to demand movements. Furthermore, the value addition in steel products like steel ingots is also low resulting into 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 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.
- **New Project Risks:** As the project has not yet started it is very much susceptible to the project completion risks, take off risks and set-up risks.

#### **Credit Strengths:**

- **Experienced Promoter:** The Promoters have long experience of more than three decades in the steel industry. Long track record of the promoters in the industry and established relationship with customers help secure business in the near future.
- **Group support:** The support is provided by the sister concern i.e. Ajar Amar Steel (Steel Rolling Mill engaged in production of steel bars and flats) which was established in 1995 and has recorded sales of Rs. 194.49 Crs for FY18 and Net worth of Rs. 10.09 Crs. Ajar Amar Steel Concast will produce steel ingots which are used as a raw material for steel rolling mills. Also there is commonality of management as the partners are the same. Experience of the promoters and support from the group company provide



operational comfort and also helps in maintaining relationships with suppliers and customers.

### **Analytical approach**

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

### **Rating Outlook: Stable**

BWR believes AASC'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 firm is able to achieve the projections and manage industry risks. The rating outlook may be revised to 'Negative' if the company is not able to commence the business operations as per schedule or if its credit risk profile deteriorates.

### **About the Firm**

Ajar Amar Steel Concast is a partnership concern formed on 11/08/2018 to set up 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. The firm has a sister concern M/S Ajar Amar Steel set up as a steel rolling mill, 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. The plant is expected to commence commercial operations in Nov 2019. Total plant capacity is expected at 29000 MT and capacity utilization after stabilization (3rd year onwards) is expected at 75%.

### **Financial Performance**

During FY18, The Firm has projected commercial operations to begin in Nov 2019. For FY20 the firm has projected net sales of Rs. 29.85 Crs and PAT of Rs. 0.16 Crs and for FY21 sales of Rs. 77.14 Crs and PAT of Rs. 0.65 Crs. Tangible net worth of the firm is expected to be at Rs. 7.05 Crs for FY20.

Key financial indicators are furnished in Annexure I.

**Annexure I**  
**Key Financial Indicators**

<b>Particulars</b>		<b>FY20 (Projected)</b>	<b>FY21 (Projected)</b>
<b>Net Sales</b>	(Rs. Cr)	29.85	77.14
<b>OPBDIT</b>	(Rs. Cr)	1.77	4.12
<b>PAT</b>	(Rs. Cr)	0.16	0.65
<b>Net Worth</b>	(Rs. Cr)	7.05	7.71
<b>Total Debt/TNW</b>	(Times)	2.46	2.10
<b>Current Ratio</b>	(Times)	1.33	1.40

**Rating History for the last three years:**

<b>Facility</b>	<b>Amount (Rs.Crs)</b>	<b>Tenure</b>	<b>Current Rating (Mar 2019)</b>	<b>Rating History</b>		
				<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Fund Based</b> Cash Credit (PNB) Term Loan (SIDBI)	7.00 9.00	Long Term	<b>BWR B+</b> (Pronounced as BWR Single B Plus) Outlook: Stable <b>Assigned</b>	<b>N.A</b>	<b>N.A</b>	<b>N.A</b>
<b>Total</b>	<b>16.00</b>		<b>INR Sixteen Crore Only</b>			

**Status of Non cooperation with other CRA : None**

**Any other information : Not applicable.**



**Hyperlink/Reference to applicable Criteria**

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

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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.



## **DISCLAIMER**

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