

RATING RATIONALE

11 Feb 2020

Ajmera Associates Ltd

Brickwork Ratings Revise Long Term & Reaffirm Short Term ratings for the Bank Loan Facilities of ₹. 19.00 Crores of Ajmera Associates Ltd (“AAL” or the Company).

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (19-Dec-2018)	Present
Fund based	32.00	12.00	Long Term	BWR BB Stable	BWR BB-Stable Downgrade
Non Fund Based	7.00	7.00	Short Term	BWR A4	BWR A4 Reaffirm
Total	39.00	19.00	INR Nineteen 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: Downgraded

BWR has essentially relied upon audited financial results of Ajmera Associates Ltd (AAL) up to FY19 & projected financial upto FY 21, publicly available information & clarification/information provided by the company & its management.

The rating continues to factor,inter-alia, relevant experience of promoters in broking business with established track record, established relationship with customers & adequate liquidity profile.

The rating is however, constrained by weak performance in terms of fall in revenue accompanied by operating & net profit loss in FY19 due to volatility in capital markets, dependency on non-operating income. The rating is also constrained by income volatility due to dependence on



trading of shares and debt market securities, deterioration in credit metrics and high competition from other brokerage houses limiting scale of operations.

The 'Stable' outlook indicates a low likelihood of a rating change over the medium term. BWR believes that Ajmera Associates Ltd (AAL) business risk profile will be maintained over the medium term.

KEY RATING DRIVERS

Credit Strengths:

Experience of Promoters: The company was incorporated in 2001 and has an established track record of over a decade in equity broking business. The promoters of the company have relevant experience in the industry which has helped them to scale up the operation of the company over a period of time. The management team comprises qualified professionals with experience in their respective fields.

Adequate liquidity profile: The company has a net worth of Rs.31.60 Crs & gearing remained low at 0.15 times as on 31st March 2019. The liquidity profile of the company also remained comfortable with own liquid funds in the form of FDs Rs.2.80 Crs & balance in current accounts for any immediate requirements.

Credit Risks:

Modest scale of operations and high dependency on non-operating income: The company's scale of operations continue to remain modest over the years limiting economies of scale. The company is highly dependent on the non-operating income which consists of interest income from investments, rental income etc. Though the company is receiving these incomes regularly, high dependency on these income sources is a key monitorable.

Fluctuating profitability & Weak Financial risk profile: The profitability of the entity remained moderate and fluctuating during the last two years ending FY19. The company is exposed to inherent volatile nature of capital markets. Any loss in shares or derivative trading activities in its proprietary trading and investment book erode profit margins. The Company's financial risk profile is constrained by weak debt protection metrics with negative ISCR due to operating loss in FY19. However for 9 month ended Dec 2019 the company has recorded operating profits.

Highly Competitive Industry: The broking industry is highly competitive and fragmented in nature. Further there is increase in competition from brokerage firms offering trading at Nil or minimal brokerage fees. Going forward, the brokerage yields are expected to remain under pressure given the competitive nature of industry.



Volatility in capital market : The company is exposed to inherent volatile nature of capital markets. Any loss in shares or derivative trading activities in its proprietary trading and investments book may erode profit margin.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored into a standalone business and financial risk profile of the company along with the business Ajmera Associates Ltd to arrive at the rating as they are engaged in a similar line of business. Reference may be made to the Rating Criteria hyperlinked below.

RATING SENSITIVITIES

Going forward, the Company's ability to post significant growth in revenue and profitability along with increase in trading volume with efficient working capital management & improvement in the overall financial risk profile is key rating sensitivity.

Positive: The Company's ability to improve its scale of operations and profitability along with increase in trading volume resulting improvement in overall credit metrics and effectively managing its working capital requirements will be positive for the ratings.

Negative: Continued decline in income and profitability & adversely impacting the liquidity position of the company will be negative for the company.

LIQUIDITY POSITION: Adequate

The company has maintained adequate liquidity position as evident from cash/cash equivalents of Rs. 0.38 Crs & Fixed deposits of Rs 2.80 Crs as on March 31, 2019. The working capital limit has been 18% utilized which indicates the adequate liquidity position of the company. Current Ratio of the company stood at 2.20 times in FY 2019. The overall liquidity position of the company is adequate.

COMPANY PROFILE

Ajmera Associates Ltd (AAL) is a financial services firm which was incorporated on 11th December 2001 as Ajmera Associates Private Limited and later Company became a public limited company with effect from 28th December 2007. The Company is carrying its business operations from Mumbai, Maharashtra. Mr. Ashish Ajmera, Mr. Manish Ajmera and Ms. Charmi Ajmera are the directors of the Company. The company acquired the membership of Bombay Stock Exchange Ltd. (BSE) in the year 2002 and the membership of National Stock Exchange Ltd. (NSE) in the year 2006. The company later in the year 2008 also acquired the membership of Metropolitan Stock Exchange of India Ltd. (MSEI). Ajmera Associates Limited is a Depository



Participant CDP of Central Depository Services(India) Ltd.(CDSL) and has been providing the demat services since 2003.Ajmera Associates Ltd is operating in the Equity Cash,Currency Derivatives market segments and also offers the services related to portfolio advisory, IPO and Mutual fund Distribution.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Operating Revenue	Rs. Crs	5.19	0.41
EBITDA	Rs. Crs	2.16	-1.22
PAT	Rs. Crs	0.45	-0.99
Tangible Net worth	Rs. Crs	32.57	31.60
Total Debt/Tangible Net worth	Times	0.07	0.15
Current Ratio	Times	3.87	2.20

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: N.A

RATING HISTORY:

Sr. No.	Instrument / Facilities	Current Rating			Rating History		
		Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	19-Dec-2018	2017	2016
1	Overdraft	Long Term	12.00	BWR BB- Stable Downgrade	BWR BB Stable	N.A	N.A
2	Bank Guarantee	Short Term	7.00	BWRA4 Reaffirm	BWR A4	N.A	N.A
	Total		19.00	INR Nineteen 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](#)
- [Services Sector](#)
- [Short Term Debt](#)

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Ajmera Associates Ltd
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	Bank of India	Overdraft	12.00	-	12.00
		Bank Guarantee		6.00	6.00
2	ICICI	Bank Guarantee	-	1.00	1.00
TOTAL					19.00

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