

Press Release

Arjun Enterprises Private Limited

June 01, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 19.00 crore bank facilities of Arjun Enterprises Private Limited. The outlook is '**Stable**'.

AEPL was incorporated in 2008 by Mr. Anil Anand, Mr. Ashish Anand, and Ms. Soumya Anand. The company is engaged in the business of import and trading of copper scrap, wire and allied products in the domestic market.

Key Rating Drivers

Strengths

- **Experienced management**

The management of the company has over four decades of experience in copper industry. Currently second generation manages the day to day operations of the companies. The directors of the company Mr. Anil Anand, Ashish Anand and Somya Khetrpal.

- **Diversified product profile**

AEPL has diversified product profile and they are into importing and trading of wire rod, billets, Cakes, Aluminum wires etc.

- **Healthy Y-o-Y revenue growth**

The company has a healthy year-on-year revenue growth with operating income of Rs.100.67 cr in FY2015-16 as compared to Rs.44.80 cr in FY2014-15. Further, as per provisional financials AEPL has achieved operating income of Rs. 125.40 cr in FY2017.

Weaknesses

- **Average financial risk profile**

AEPL has average financial risk profile marked by gearing of 3.55 times as on March 31, 2016 against 1.80 times as on March 31, 2015. The Interest Coverage Ratio (ICR) stood at 1.42 times (PY: 1.33 times) and debt service coverage ratio (DSCR) at 1.36 times (PY: 1.21 times) in FY2016. Further, the NCA to TD stood at 0.04 in FY2016. The tangible net worth stood at Rs.4.36 cr as on March 31, 2016. Further, in FY2017 ([Provisional) gearing has improved to 1.06 times and ICR and DSCR stood at 1.96 times and 1.61 times.

- **Susceptibility of profit margins to volatility in raw material prices**

The profitability margins are susceptible to fluctuations in the prices of copper since raw material accounts for ~95 per cent of total cost of sales. Any adverse movement in copper prices may impact the profitability of the company. Further, around 60 percent of the raw materials are imported from

Dubai. However, this risk gets mitigated to an extent since the raw materials are purchased only after confirmation of orders.

Analytical Approach

SMERA has considered standalone financial and business risk profile of the company to arrive at the rating. Further, SMERA has consolidated financial and business risk profile of H K International in AEPL till FY2016 as the entity merged with AEPL w.e.f. April 01, 2016.

Outlook: Stable

SMERA believes that the outlook of KIPL will remain stable over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of sustained growth in revenues and profit margins or improvement in financial risk profile. Conversely, the outlook maybe revised to 'Negative' in case of steep decline in revenues and profitability or in case of deterioration in the capital structure owing to high debt funded capex or working capital borrowings.

About the Rated Entity - Key Financials

FY2015-16 AEPL reported net profit after tax (PAT) of Rs.0.52 cr on operating income of Rs.100.67 cr as compared to PAT of Rs.0.25 cr on operating income of Rs.44.80 cr for the previous year. The net worth stood at Rs.4.36 cr as on March 31, 2016 as compared to Rs. 4.63 cr as on March 31, 2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4+

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