

**Press Release**  
**Arjun Enterprises Private Limited**  
 March 30, 2021  
**Rating upgraded and reaffirmed**



<b>Total Bank Facilities Rated*</b>	Rs. 36.00 Cr. (Enhanced from Rs.30.00 Crore)
<b>Long Term Rating</b>	ACUITE BB-/Stable (Upgraded)
<b>Short Term Rating</b>	ACUITE A4 (Reaffirmed)

\* Refer Annexure for details

**Rating Rationale**

Acuité has upgraded the long-term rating to '**ACUITE BB-**' (**read as ACUITE double B minus**) from '**ACUITE B+**' (**read as ACUITE B plus**) and reaffirmed the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 36.00 Crore bank facilities of Arjun Enterprises Private Limited(AEPL). The outlook is '**Stable**'.

**Reason for Upgrade**

The upgrade in the rating is on account of stable operational performance in the current year and slight improvement in financial risk profile. Although the operating income of the company declined by 26% and stood at Rs.136.83 Crore in FY2020 as against Rs.185.25 Crore in FY2019, the profitability has improved during the period. The EBITDA margins stood at 3.55 percent in FY2020 as against 2.12 percent in FY2019. The company has performed well during the current year even after covid-19 pandemic and nationwide lockdown. As of 28-02-2021, the company have achieved a revenue of ~Rs.94 Crore. The net worth of the company stood at Rs.9.32 Crore as on 31 March 2020 as against Rs.4.17 Crore as on 31 March 2019. The gearing level (debt-equity) stood improved to 2.69 times as on 31 March 2020 as against 7.11 times as on 31 March 2019. Also the rating was downgraded during the last review due to information risk. Now the client has provided the required information for the review process.

**About the Company**

The Delhi-based, 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.

**Analytical Approach**

Acuité has considered the standalone business and financial risk profile of AEPL to arrive at this rating.

**Key Rating Drivers**

**Strengths**

• **Experienced Management**

AEPL was incorporated in 2008. It is engaged in the business of import and trading of copper scrap, wire and allied products in the domestic market. The promoters have over a decade of experience in copper industry. Mr. Anil Anand, Mr. Ashish Anand, and Ms. Soumya Anand are currently handling the day to day operation. They are ably supported by other key managerial personnel who are professionally running the company.

Acuité believes that the company will benefit from its experienced management to maintain healthy relations with its customers and suppliers.

## Weaknesses

- **Average financial risk profile and decline in operating income**

Company's financial risk profile remained average marked by moderate net worth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.9.32 Crore as on 31 March 2020 as against Rs.4.17 Crore as on 31 March 2019. The gearing level (debt-equity) stood improved to 2.69 times as on 31 March 2020 as against 7.11 times as on 31 March 2019. The total debt of Rs.25.10 Crore as on 31 March 2020 consists of unsecured loan of Rs.10.02 Crore and working capital borrowings of Rs.15.09 Crore. The interest coverage ratio (ICR) stood at 1.62 times in FY2020 as against 3.61 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood high at 0.03 times in FY2020 as against 0.03 times in FY2019.

In FY2020 the revenue have declined by 26% and stood at Rs.136.83 Crore in FY2020 as against Rs.185.25 Crore in FY2019. This is mainly due to decline in the trading prices and slower demand during the year.

Going forward, Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

- **Working capital intensive operations**

The working capital management of the company is highly intensive in FY2020 marked by Gross Current Assets (GCA) of 248 days in FY2020 as against 169 days in FY2019. The inventory and debtor levels stood at 170 days and 69 days in FY2020 as against 115 days and 45 days in FY2019, respectively. Company usually needs to keep high amount of inventory throughout the year. The creditor days stood at 110 days in FY2020 as against 77 days in FY2019. As a result, the bank limits stood are fully utilized in the last six months ending February, 2021. Acuité believes that the working capital requirements will continue to remain comfortable over the medium term on account of high inventory and debtor days.

### Rating sensitivity

- Continuous improvement in profitability for the last two years
- Intensive working capital nature of operation

### Material Covenant

None

### Liquidity position: Adequate

The Company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.70 Crore in FY2020 as against no significant CPLTD for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.0.66 Crore to Rs.1.30 Crore during FY2021-23 against no significant CPLTD for the same period. Company's working capital operations are highly intensive marked by Gross Current Asset (GCA) days of 248 days in FY2020. As a result, the bank limits stood are fully utilized in the last six months ending February, 2021. Company maintains unencumbered cash and bank balances of Rs.0.13 Crore as on 31 March 2020. The current ratio stands at 1.25 times as on 31 March 2020.

### Outlook: Stable

Acuité believes AEPL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

### About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	136.83	185.25
PAT	Rs. Cr.	0.65	0.79

PAT Margin	(%)	0.48	0.43
Total Debt/Tangible Net Worth	Times	2.69	7.11
PBDIT/Interest	Times	1.25	1.45

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

Not Applicable

**Any other information**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Up to last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
17-February-2020	Cash Credit I	Long Term	10.00	ACUITE B+ (Downgraded: Indicative)
	Cash Credit II	Long Term	5.00	ACUITE B+ (Downgraded: Indicative)
	Letter of Credit I	Short Term	9.00	ACUITE A4 (Downgraded: Indicative)
	Letter of Credit II	Short Term	6.00	ACUITE A4 (Downgraded: Indicative)
07-December-2018	Cash Credit I	Long Term	10.00	ACUITE BB-/Stable (Upgraded)
	Cash Credit II	Long Term	5.00	ACUITE BB-/Stable (Assigned)
	Letter of Credit I	Short Term	9.00	ACUITE A4+ (Upgraded)
	Letter of Credit II	Short Term	6.00	ACUITE A4+ (Assigned)
07-September-2018	Cash Credit	Long Term	10.00	ACUITE B+/Stable (Downgraded)
	Letter of Credit	Short Term	9.00	ACUITE A4 (Downgraded)

**\*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 I	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB-/Stable (Upgraded)
Cash Credit II	Not Applicable	Not Applicable	Not Applicable	8.00 (Enhanced)	ACUITE BB-/Stable

				from Rs.5.00 Crore)	(Upgraded)
Letter of Credit I	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4 (Reaffirmed)
Letter of Credit II	Not Applicable	Not Applicable	Not Applicable	9.00 (Enhanced from Rs.6.00 Crore)	ACUITE A4 (Reaffirmed)

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### About Acuité Ratings & Research:

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