

## Press Release

Arjun Enterprises Private Limited

June 22, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	-	ACUITE A4   Reaffirmed
Bank Loan Ratings	18.00	ACUITE BB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	36.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB-**' (read as ACUITE double B minus) 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**'.

#### About the Company

The Mumbai based AEPL was incorporated in 2008 and currently being managed by Mr. Anil Anand, Mr. Ashish Anand, Mr. Achala Anand and Mr. Arjun 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

Acuite 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. They are ably supported by other key managerial personnel who are professionally running the company. Acuite believes that the company will benefit from its experienced management to maintain healthy relations with its customers and suppliers.

##### Weaknesses

##### Working Capital intensive operation

The working capital management of the company is stretched in FY2021 marked by gross

current assets of 292 days as against 248 days in FY2020. The inventory and debtor level stood at 210 days and 77 days in FY2021 against 170 days and 69 days in FY2020 respectively. Company usually needs to keep high amount of inventory throughout the year. Creditor days decreased from 110 days in FY2020 to 105 days in FY2021. As a result, bank limit utilization is up to 97% from April 21 to March 22. Acuité believes that the working capital requirements will continue to remain high over the medium term on account of high inventory and debtor days.

## Financial Risk Profile

Company's financial risk profile remained average marked by moderate growth in net worth, high gearing and moderate debt protection. The Net worth of the company stood at Rs.9.56 Cr in FY2021 as against Rs.9.32 Cr in FY2020. The gearing ratio has been deteriorated from 2.69 times in FY2020 to 4.04 times in FY2021. The total debt of the company is Rs.38.64 Cr as on 31<sup>st</sup> march 2021 consists of Rs.5.11cr long term debt, unsecured loans amount to Rs.10cr, short term debt Rs.23.21 and current portion of long term debt amount to Rs.1.44 Cr. The interest coverage ratio deteriorated and stood at 1.10 times in FY2021 as against 1.25 times in FY2020. Further the DSCR of the company has deteriorated and stood at 1.08x in FY21 as against 1.18x in FY20. The ICR of the company is expected to improve in FY23 however the DSCR will remain in the same range.

## Rating Sensitivities

Significant improvement in the operating performance of the company  
Substantial improvement in the coverage indicators of the company  
Company's ability to improve profitability resulting into improved liquidity profile

## Material covenants

None

## Liquidity Position: Poor

The company's liquidity is poor. The company generated net cash accruals of Rs.0.27 Cr against nil CPLTD in FY21. The net cash accrual for FY22 and FY23 is expected to be Rs.1.29 and Rs.1.76 Cr. respectively against which the company has CPLTD of Rs. 1.44 Cr. Company's working capital operations are highly intensive marked by GCA days 292 days in FY2021. Additionally, the bank limit utilisation has also reached up to 97% in last one year. The company is having unencumbered cash balance of Rs.0.13 Cr. in FY2021.

## 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 deterioration in the working capital management resulting into further stretch on liquidity.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	111.81	136.83
PAT	Rs. Cr.	0.24	0.65
PAT Margin	(%)	0.21	0.48
Total Debt/Tangible Net Worth	Times	4.04	2.69
PBDIT/Interest	Times	1.10	1.25

**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 Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Mar 2021	Cash Credit	Long Term	10.00	ACUITE BB-   Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	8.00	ACUITE BB-   Stable (Upgraded from ACUITE B+)
	Letter of Credit	Short Term	9.00	ACUITE A4 (Reaffirmed)
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17 Feb 2020	Letter of Credit	Short Term	6.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	9.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	5.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
07 Dec 2018	Cash Credit	Long Term	5.00	ACUITE BB-   Stable (Assigned)
	Letter of Credit	Short Term	6.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BB-   Stable (Upgraded from ACUITE B+   Stable)
	Letter of Credit	Short Term	9.00	ACUITE A4+ (Upgraded from ACUITE A4)
07 Sep 2018	Letter of Credit	Short Term	9.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Cash Credit	Long Term	10.00	ACUITE B+   Stable (Downgraded from ACUITE BB-   Stable)
01 Jun 2017	Cash Credit	Long Term	12.00	ACUITE BB-   Stable (Assigned)
	Letter of Credit	Short Term	7.00	ACUITE A4+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB-   Stable   Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4   Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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