



Press Release
Arjun Enterprises Private Limited
September 15, 2023
Rating Reaffirmed

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

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**'.

Rationale for Reaffirmation

Acuite factors in experienced management, comfortable working capital profile of the AEPL for the reaffirmation of rating.

The revenue from operations of the AEPL witnessed improvement to Rs.~ 326.13 crore in FY2023 (Provisional) as against Rs. 218.06 crore in FY2022 however operating profit margin of the company moderated to 1.42 percent in FY2023 (Provisional) as against 1.78 percent in FY2022. Further, the company has comfortable working capital operations. However these strengths are underpinned by moderation in coverage Indicators in FY 23. Coupled to these Liquidity profile of the company is poor.

Acuite believes that the company's ability to grow its scale of operations and improve profitability while maintaining a healthy capital structure remains a key rating monitorable.

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

suppliers

Business risk profile

AEPL's operation witnessed improvement which is apparent from growth in revenue from operations by ~50% in FY2023 (Prov.) to Rs 326.13 crore as against Rs. 218.06 crore for FY2022. (improved by ~192 percent over the last three years FY 21 to FY 23). Operating Profit margin of the company decreased by 36 bps and stood at 1.42 percent in FY 23 (Prov.) as against 1.78 percent in FY 22.

Working capital operations- comfortable

Company has comfortable working capital requirements as evident from gross current assets (GCA) of 98 days in FY2023 (Prov.) as compared to 142 days in FY2022. Debtor days improved by 7 days and stood at 30 days in FY2023 (17 days in FY2022). Inventory days came down by 35 days in FY 23(Prov.). Inventory days stood at 58 days in FY2023 (Prov.) as against 93 days in FY2022.(210 days in FY 21) Fund based working capital limits are utilized at ~98 per cent during the last twelve months ended July 23 while the non fund based limit utilization was 65 percent.

Weaknesses

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.15.13 Cr in FY2023 (Prov.) as against Rs.14.49 Cr in FY2022. The gearing ratio moderated from 2.87 times in FY2022 to 2.96 times in FY2022. The interest coverage ratio improved and stood at 1.26 times in FY2023 (Prov.) as against 1.19 times in FY2022. Further the DSCR of the company has deteriorated and stood at 0.84 in FY23 as against 1.14 in FY22.Expected Cash accruals in next 2 year is Rs 1.5 crore to 2.25 crore and unencumbered fixed deposits will support the company for debt repayment.

Susceptible to fluctuations in prices of raw material and forex rates

The major raw material of the company is copper scrap. The company's performance remains vulnerable to cyclicalities in the copper sector as demand for copper depends on the performance of the end user.Moreover, the prices of the same are fluctuating in nature, therefore the operating profit margins of the company is susceptible to raw material price fluctuation

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

All Covenants

None

Liquidity Position

Poor

Company has poor liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Company generated cash accruals of Rs. 0.71 crore for FY2023 (Prov.) as against obligations of Rs. 1.53 crores for the same period. Current Ratio stood at 1.45 times as on 31 March 2023(Prov.) as against 1.51 times in the previous year. Fund based working capital limits are utilized at ~98 per cent during the last twelve months ended July 23 while the non fund based limit utilization was 65 percent. Cash and Bank Balances of company stood at Rs 0.17 crores. Company has fixed deposits of Rs 1.96 crore and out of which Rs ~1 crore is unencumbered.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	326.13	218.06
PAT	Rs. Cr.	0.67	0.43
PAT Margin	(%)	0.21	0.20
Total Debt/Tangible Net Worth	Times	2.96	2.87
PBDIT/Interest	Times	1.26	1.19

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

CIRSIL vide its press release dated 13th March 2023, had rated the company to CRISIL B+/Stable/A4; Issuer Not Cooperating.

Any other information

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Jun 2022	Letter of Credit	Short Term	9.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB- Stable (Reaffirmed)
	Letter of Credit	Short Term	9.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB- Stable (Reaffirmed)
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)
	Letter of Credit	Short Term	9.00	ACUITE A4 (Reaffirmed)
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*)

Annexure - Details of instruments rated

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