

Infomerics Valuation And Rating Pvt. Ltd.

Arjan Impex Private Limited

March 5, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1	Bank Facilities- Long Term	7.19	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Bank Facilities- Short Term	60.00	IVR A4+ (IVR A Four Plus)

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from the extensive experience of its promoters in the pet ware and food service equipment industry, diversified product profile and reputed clientele. These strengths are partially offset by static scale of operations of the Company, customer concentration in its revenue profile, working capital intensive nature of operations and its average financial risk profile. Scaling up of operations, working capital management and debt protection parameters are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in the pet ware and food service equipment industry

The promoters have long standing experience in the niche business of manufacturing and selling pet ware and hotel ware products. Extensive experience of the promoters has helped to establish a healthy relationship with customers and suppliers. The Company is likely to benefit from the promoter's extensive experience over the medium term.

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Diversified product profile

Arjan has a diversified product profile covering a wide range of products such as pet feeders, bedding and apparel for pets, gastronomic pans, barware, kitchenware etc. While pet ware contributed 51.7 per cent to the company's revenue in FY18, softgoods and kitchenware/hotel ware contributed 8.8 per cent and 39.6 per cent respectively. The Company is likely to benefit from its diversified product profile over the medium term.

Reputed clientele

Arjan derives ~ 98 per cent of its revenue from exports to USA and Europe. The company's clients include reputed companies, pet specialty stores, mass departmental stores, mail orders companies, leading importers and private labels.

Key Rating Weaknesses

Static scale of operations

The scale of operations of the Company has remained static in the range of Rs.116-118.8crore in the three years ended FY18.

Customer concentration in revenue profile

Arjan is exposed to customer concentration risk in its revenue profile as it derives ~ 53 per cent of its revenue from top 10 customers. Further, three customers contributed ~25 per cent to its sales in FY18. The customer concentration is likely to continue in the near to medium term.

Working capital intensive operations

The operation of the company is working capital intensive as Arjan needs to hold a sizable inventory to respond to customer demand effectively. Further, the company extends credit period of about 60 to 90 days to its customers which also increases its working capital requirements. The operating cycle of the company stood at over 120 days in the past two years ended FY18.

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Average financial risk profile

Arjan has an average financial risk profile as reflected in a moderate net worth of Rs.31.96crore as on March 31, 2018 and TOL/TNW of 2.70x (unsecured loans treated as quasi equity). Further, the debt protection metrics also remained average marked by total debt/ GCA of 12.07x.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

Liquidity

The Company's bank limits remained moderately utilized for the eight months ended November 2018. Further, the Company is expected to generate sufficient accruals going forward as against its repayment obligations. Liquidity is further supported by financial support from promoters in the form of interest free unsecured loans.

About the Company

Incorporated in 1996, Arjan Impex Pvt Ltd (Arjan) is headquartered in New Delhi. The Company is engaged in the manufacture and export of food service products and pet products.

Financials (Standalone):

	(Rs. crore)	
For the year ended*	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	118.82	118.60
EBITDA	8.10	8.85
PAT	2.04	2.23
Total Debt	47.98	53.14

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For the year ended*	31-03-2017	31-03-2018
Tangible Net worth	27.12	31.96
EBITDA Margin (%)	6.82	7.46
PAT Margin (%)	1.72	1.88
Overall Gearing Ratio (x)	1.77	1.66

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL has put the rating of CRISIL BB/Stable and CRISIL A4+ in Issuer not cooperating category as the company did not submit the requisite information to them.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Term Loan	Long Term	7.19	IVR BB+/ Stable	-	-	-

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2.	Short Term Fund Based Limits – Proposed PCFC	Short Term	55.00	IVR A4+	-	-	-
3.	Short Term Non Fund Based Limits – Proposed LC/BG	Short Term	5.00	IVR A4+			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining



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prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	-	7.19	IVR BB+/Stable
Short Term Bank Facilities- Proposed PCFC & LC/BG	-	-	-	60.00	IVR A4+