



Press Release

Arjan Impex Private Limited

11 August 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action
1.	Long Term Bank Facilities- Term Loan	4.14	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Credit Watch with Developing Implications	Revised
2.	Short Term Bank Facilities	60.00	IVR A3 (IVR A Three)	IVR A3 and Credit Watch with Developing Implications	Revised
	Total	64.14 (Sixty four crores and fourteen lacs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of **Arjan Impex Private Limited** have been revised due to increase in the total operating income recorded in FY21. The company derives comfort from extensive experience of the promoters, improvement in scale of operations during the pandemic. These factors are offset by susceptibility to working capital intensive operations and customer concentration risk.

Key Rating Sensitivities:

Upward Factors



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- Substantial and sustained growth in operating income and improvement in working capital management leading to improvement in liquidity
- Sustained improvement in debt protection metrics

Downward Factors

- Moderation in operating income and/or cash accrual or deterioration in operating margin,
- Any stretch in the working capital cycle driven by stretch in receivables affecting the financial risk profile, particularly liquidity.
- Deterioration in overall gearing to over 2x and interest coverage to below 1.5x

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.

- **Improvement in scale of operation in FY21 amid the COVID-19 Pandemic**

The company reported ~20% y-o-y growth in revenues from Rs. 151.23 crore in FY20 to Rs. 180.77 crore in FY21 due to increase in demand and number of orders from existing clients amid the excess demand from the customers as they spent most of the time indoors with the pets.

- **Diversified product profile**

Arjan has a diversified product profile covering a wide range of products such as pet feeders, bedding and apparel for pets, gastronomy pans, barware, kitchenware etc. While pet ware contributed 56.28 per cent to the company's revenue in FY21, soft goods and kitchenware/hotel ware contributed 22.53 per cent and 21.19 per cent respectively. The Company is likely to benefit from its diversified product profile over the medium term.

- **Reputed clientele**



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Arjan derives ~ 95 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

- **Customer concentration in revenue profile**

Arjan is exposed to customer concentration risk in its revenue profile as it derives ~ 66 per cent of its revenue from top 10 customers. Further, three customers contributed ~25 per cent to its sales in FY21. The customer concentration is likely to continue in the near to medium term. Nonetheless, during the pandemic, customer concentration increased as smaller customers did not buy the products in fear of not being able to sell them.

- **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 FY21.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

The Company's bank limits remained moderately utilized for the 12 months ended May 2021. Further, the Company is expected to generate sufficient accruals in the range of Rs. 10 crores to Rs. 14 crores going forward as against its repayment obligations in the range of Rs. 5 crores to Rs. 8 crores. Liquidity is further supported by financial support from promoters in the form of interest free unsecured loans.

About the Company



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Arjan Impex Private Limited was incorporated in 1996, promoted by Mr B C Kohli, and is currently managed by his son, Mr. Inderjeev Singh Kohli. Based in New Delhi, the company operates in two segments: pet ware and hotel ware. It manufactures stainless steel utensils, soft products for pets, and gastronome pans (chafing dishes).

Financials (Standalone):

(Rs. crore)		
For the year ended*	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	151.00	180.77
EBITDA	12.88	14.55
PAT	4.66	5.88
Total Debt	52.15	74.70
Adjusted Tangible Net worth	41.47	47.90
EBITDA Margin (%)	8.53	8.05
PAT Margin (%)	3.08	3.25
Overall Gearing Ratio (x)	1.26	1.56

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2021-2022)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating (11 August 2021)	Date(s) & Rating(s) assigned in 2020-21 (May 13, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19 (March 05, 2019)
1.	Term Loan	Long Term	4.14	IVR BBB-/Stable	IVR BBB-/Credit watch with developing implications	-	IVR BB+/Stable
2.	EPC/PCFC	Short Term	60.00	IVR A3	IVR A3 Under credit watch with	-	IVR A4+



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it based on 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 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	-	-	-	4.14	IVR BBB-/ Stable
Short Term Non-Fund- EPC/PCFC	-	-	-	60.00	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Arjan-Impex-Lenders-11aug21.pdf>