

Neptune Imports, Inc.



CCC

1 year PD

9.02% to 14.87%

Headquarters	Houston, TX	U.S.
Type	Private (Non-PE)	
Employees	<25	
Year Founded	2020	
Website	https://neptuneimports.com/	
Business	Wholesale distributor of smoking and wellness products.	
Revenues	\$20.9M	

Company Overview

- Company Overview:** Neptune Imports, Inc. is a wholesale distributor of smoking and wellness products. Established in 2020, they serve specialty retailers across the U.S. through their online platform.
- Product:** Vaporizers, >750 e-liquid varieties, CBD and Kratom products, as well as glassware, hookahs, and smoking accessories.
- Customers:** Primarily smoke shops, vape stores, and specialty retailers catering to adults aged 21 and older.
- Ownership:** Managed by Hussain Jasani, Rahim Jasani, Samir Bhimani, and Rizwan Hyder, on a collaborative basis. It is likely that each owns shares.
- Debt Structure:** No detailed breakout provided. The Total Debt of \$2.7 mn per FY-23 is comprised of ~2/3 in Other Current Liabilities, with the balance being Long Term Debt. No indications of an R/C-line.
- Assessment Basis:** Unaudited, and uncommented tax returns (i/s and b/s) per FY-22, FY-23., and b/s per FY-21. No indication about 2024, yet.
- Other (pros/cons):** High leverage (7.3x), high debt-to-assets (51.8%), and weak liquidity (quick ratio 0.28) heighten financial and short-term credit risks. Low EBITDA margin (1.7%) and reliance on regulated markets add long-term profitability and compliance challenges, despite a strong ROCE (16.8%). Strong y-o-y growth, and very positive market-CAGR >25% through 2030. 75% of Assets is inventory, and the entity is profitable. A 6.1%/\$322k discrepancy between Total Assets, and Total Liabilities (FY-23), raises concerns about the reliability of their financials. We took a prudent approach by increasing debt to level the balance sheet. Aside from high leverage, low liquidity and narrow EBITDA Margin, we consider regulations (e.g. e-cigarettes, vaping, CBD) as their biggest single event risk.

Financial Snapshot

	Dec-21	Dec-22	Dec-23	Chg
\$ '000s	T12	T12	T12	%
Total Revenue	-	18,195	20,898	14.9%
Gross Profit	-	816	1,028	26.0%
Adjusted EBITDA	-	228	361	57.9%
Gross Profit Margin	-	4.5%	4.9%	0.4 ppt
EBITDA Margin	-	1.3%	1.7%	0.5 ppt
Net Income	-	141	153	8.6%

Financial Ratio Benchmarking

# of Benchmarks:	30	Industry Median	Company Metric	Percentile Rank
Liquidity	Revenue		\$27M	\$21M
	Current Ratio		1.38	1.22
	Quick Ratio		0.71	0.28
Leverage	Net Debt / EBITDA		1.16	7.31
	Debt to Assets		23.6%	51.8%
Profitability	EBITDA Margin		6.7%	1.7%
	ROCE %		11.9%	16.8%

of Industry Benchmarks

30

Company Financials Date

Dec-23

Industry Benchmarks - Primary: Other Specialty Retail

Business Risk

Industry Group Risk Profile			Retail And Restaurants	20%	6.5	to	8.5
Industry Risk Assessment	KPI Rating	Contribution	Industry Group Description				
Cyclicality	Intermediate risk	<div><div></div></div>	Entities that derive a majority of their revenue from selling goods or services directly to the individual consumer through stores, catalogues, or online operations--or a combination of these channels. We include restaurants, automotive retailers, and grocery wholesalers in this sector given that the fundamentals of operating these businesses are largely the same as general retailing with similar unit economics.				
Competitive Risk	Intermediate risk	<div><div></div></div>					
Global Industry	Intermediate risk	<div><div></div></div>					
Market Segment Outlook	Strong	<div><div></div></div>					
Competitive Position Profile			Cpg	50%	4.5	to	6.0
Competitive Position KPIs	KPI Rating	Contribution	Rating Guideline				
Cycle-Tested	>= 2020	<div><div></div></div>	No through-the-cycle operating history.				
Product Diversity	Above Average	<div><div></div></div>	2-3 product categories				
Market Share	Weak	<div><div></div></div>	Low market share (<5%) in chosen categories.				
Category Demand	Strong	<div><div></div></div>	Operates in high growth categories (>10% annual growth).				
Supplier Diversity	Satisfactory	<div><div></div></div>	Limited supplier diversity, potentially exposing to supply risks.				
Geographic Coverage	Satisfactory	<div><div></div></div>	Regional brand				
Innovation	Satisfactory	<div><div></div></div>	Occasional product innovations, mostly reactive.				
Customer Concentration	Above Average	<div><div></div></div>					
Regulatory Environment	Weak	<div><div></div></div>					
Management, Governance, Sponsorship				30%	3.5	to	4.5

Anchor Modifiers

Modifiers			
Revenue Segment	Normalization		\$10-25M
Trend Analysis	Adjustment		Moderate Positive
Financial Flexibility	Adjustment		Strained
Other Modifier	Risk Flag		No Notes to Financials

Rating Range (Rounded)

3.5

to

4.5

Weight	Rating Range		
20%	3.0	to	3.5