

Press Release

Vaghani Inc

19 July, 2017

Rating Assigned



Total Instruments Rated*	Rs.18.00 Cr
Short Term Rating	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 18.00 crore bank facilities of Vaghani Inc. SMERA has also withdrawn long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.18.00 crore bank facilities of Vaghani Inc.

Vaghani Inc (Vaghani) was established by the Mumbai-based Mr. Vaghani and family in 2001. The trust is engaged in the trading of wax (polyethylene, microcrystalline, carnauba) and other chemicals (hydrocarbon resins, thermoplast resins, gum damar).

Key Rating Drivers

Strengths

- **Experienced management**

Mr. Praful Vaghani, trustee of the Vaghani group has around four decades of experience in the industry. He manages the day-to-day operations of the business and is assisted by Mr. Anand Vaghani.

- **Established and reputed customer base**

The Vaghani group has been in the trading of wax for over six decades. The group has established relations with reputed customers such as Hindustan Unilever Limited and Reckitt Benckiser Limited. Further, Vaghani Inc is an exclusive distributor of Iberceras - Spain and Pontes Industrial De Ltda - Brazil.

- **Average financial risk profile**

The group has average financial risk profile marked by networth of Rs.7.01 crore as on 31 March, 2017 (Provisional) compared to Rs.8.38 crore as on 31 March, 2016. The debt- to-equity ratio stood at 2.74 times as on 31 March, 2017 (Provisional) as against 1.86 times as on 31 March, 2016. The interest coverage ratio stood at 3.07 times in FY2016-17 (Provisional) as against 1.87 times in FY2015-16. Further, the RoCE stood at 9.51 percent in FY2016-17 (Provisional) compared to 9.97 percent in FY2015-16.

Weaknesses

- **Fluctuations in forex rates**

The firm's imports constitute 90 percent while 10 percent is procured domestically. The group is exposed to fluctuations in forex rates.

• Uneven operating margins

Vaghani's (EBIDTA) operating margins have shown uneven trends in the past at 2.30 percent in FY2016-17 (Provisionals) as compared to 1.91 percent in FY2015-16 and 3.47 percent in FY2014-15. The variability in margins is on account of fluctuations in raw material prices mainly industrial wax which the company imports from Brazil, Spain, and Holland among others.

Analytical Approach

SMERA has consolidated the financials of Vaghani Inc, Excel Prime Commodities Private Limited (EPCPL) and RAY Imports Inc (RII).

About the Group

The Vaghani group (Vaghani Inc, Excel Prime Commodities Private Limited and Ray Imports Inc) has been importing wax and chemicals from Brazil, Singapore and Russia and selling the same to companies in India since 1954.

About the Rated Entity - Key Financials

For FY2015-16 (consolidated), the group reported profit after tax (PAT) of Rs.1.00 crore on operating income of Rs.113.39 crore compared with PAT of Rs.2.08 crore on operating income of Rs.79.30 crore in FY2014-15.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Aug-2015	Letter of Credit	Short Term	INR 9	SMERA A4+ (Withdrawn)
	Proposed Letter of Credit	Short Term	INR 9	SMERA A4+ (Withdrawn)
	Letter of Credit	Long Term	INR 9	SMERA BB- / Stable (Assigned)
	Proposed Letter of Credit	Long Term	INR 9	SMERA BB- / Stable (Assigned)
14-Jul-2015	Letter of Credit	Short Term	INR 9	SMERA A4+ (Assigned)
	Proposed Letter of Credit	Short Term	INR 9	SMERA A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Letter of credit	Not	Not	Not	18.00	SMERA A4+ (Assigned)

	Applicable	Applicable	Applicable		
Letter of credit	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA BB-/Stable (Withdrawn)

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ABOUT SMERA

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