

Press Release

Vaghani Inc

July 06, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.44 Cr. (Enhanced from Rs.18.00 Cr)
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

ACUITE has reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the enhanced amount of Rs. 44.00 cr. bank facilities of Vaghani Inc (Vaghani).

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.11.77 crore as on 31 March 2018 (Provisional) compared to Rs.8.59 crore as on 31 March, 2017. The debt-to-equity ratio stood at 3.05 times as on 31 March 2018 (Provisional) as against 2.06 times as on 31 March 2017. The interest coverage ratio stood at 3.07 times for FY2018 (Provisional) as against 2.64 times in FY2017. Further, the RoCE stood at 12.06 percent in FY2018 (Provisional) compared to 10.87 percent in FY2017.

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 FY2017 (Provisionals) as compared to 1.91 percent in FY2016 and 3.47 percent in FY2015. 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

Acuité has consolidated the financials of Vaghani Inc, Excel Prime Commodities Private Limited (EPCPL) and RAY Imports Inc (RII) on account of same promoters and similar line of business.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	195.62	101.80	113.39
EBITDA	Rs. Cr.	4.39	2.45	2.17
PAT	Rs. Cr.	3.00	1.67	1.00
EBITDA Margin	(%)	2.24	2.41	1.91
PAT Margin	(%)	1.54	1.64	0.88
ROCE	(%)	12.06	10.87	9.97
Total Debt/Tangible Net Worth	Times	3.05	2.06	1.86
PBDIT/Interest	Times	3.07	2.64	1.87
Total Debt/PBDIT	Times	8.03	6.35	6.45
Gross Current Assets (Days)	Days	161	87	94

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
19-Jul-17	Letter of Credit	Short term	18.00	ACUITE A4+ (Assigned)
	Letter of Credit	Long Term	18.00	ACUITE BB- (Withdrawn)
28-Aug-15	Letter of Credit	Short Term	9.00	ACUITE A4+ (Withdrawn)
	Proposed Letter of Credit	Short Term	9.00	ACUITE A4+ (Withdrawn)
	Letter of Credit	Long Term	9.00	ACUITE BB-/Stable (Assigned)

	Proposed Letter of Credit	Long Term	9.00	ACUITE BB-/Stable (Assigned)
14-Jul-15	Letter of Credit	Short Term	9.00	ACUITE A4+ (Assigned)
	Proposed Letter of Credit	Short Term	9.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	44.00	ACUITE A4+

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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