

Press Release

QVC International Private Limited

September 19, 2019

Rating Upgraded and Reaffirmed



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B+/Stable (Upgraded from ACUITE B)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE B+**' (**read as ACUITE B plus**) from '**ACUITE B** (**read as ACUITE B**) and reaffirmed short-term rating of '**ACUITE A4**' (**read as ACUITE A4**) on the Rs.15.00 crore bank facilities of QVC International Private Limited (QVC). The outlook is '**Stable**'.

The rating upgrade is in view of increase in revenue resultant to improvement in operating profitability and net profitability as well. The rating upgrade also reflects improvement in financial risk profile in FY2019 (Prov.).

QVC International Private Limited was incorporated in the year 2007 by Mr. Sumit Kumar and family. Later, in 2010, the company was taken over by the current management, Mr. Nilesh Kumar Sharma and family, and it was renamed to QVC International Private Limited. The company is engaged in trading of manganese ore and Ferro alloys. The company has its registered office at Kolkata, district of West Bengal.

Analytical Approach:

Acuité has considered a standalone view of the business and financial risk profile of QVC to arrive at the rating.

Key Rating Drivers:

Strengths

• Experienced management

The directors of the company, Mr. Nilesh Kumar Sharma and Mr. Rajendra Kumar Sharma, have more than a decade of experience in the wholesale trading of manganese ore.

• Moderate scale of operation and improving profitability

The revenue of the company stood moderate at Rs.55.81 crore in FY2019 (Prov.) as compared to Rs.41.47 crore in FY2018. The operating profitability of the company has also increased to 3.01 per cent in FY2019 (Prov.) from 2.51 per cent in FY2018. The net profitability has also increased to 2 per cent in FY2019 (Prov.) from 0.99 per cent in previous year. Acuité believes that the ability of the group to increase scale of operations, while sustaining its profitability margins, will remain a key monitorable.

Weaknesses

• Average financial risk profile

The financial risk profile of the company is marked by low Net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood low at Rs 4.18 crore in FY2019 (Prov.) as increased from Rs. 3.06 crore in FY2018, mainly on account accumulated profit. The gearing of the company stood comfortable at 0.12 times in FY2019 (Prov.) as compared to 0.53 times in FY2018. The total debt of Rs. 0.51 crore consist of short term loan as on 31 March, 2019 (Prov.). The interest coverage ratio (ICR) of the company stood healthy at 5.20 times in FY2019 (Prov.) as compared to 1.97 times in FY2018. The debt service coverage ratio (DSCR) of the company stood healthy at 4.13 times in FY2019 (Prov.) as compared to 1.97 times in FY2018. The net cash accruals against the total debt stand healthy at 2.19 times in FY2019 (Prov.) as compared to 0.26 times in FY2018.

Liquidity Position:

The company has stretched liquidity marked by moderate net cash accruals of Rs.1.12 crore in FY2019 (Prov.) as compared to Rs.0.41 crore in the previous year. The liquidity of the company is also marked by 90 per cent utilization of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 201 in FY 2019 (Prov).

Outlook: Stable

Acuité believes that QVC will maintain a 'Stable' outlook over the medium term owing to its promoters' vast experience in the steel industry. The outlook may be revised to 'Positive' if the scale of operations increase substantially, while maintaining operating profitability and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	55.81	41.47	17.31
EBITDA	Rs. Cr.	1.68	1.04	0.50
PAT	Rs. Cr.	1.11	0.41	0.13
EBITDA Margin	(%)	3.01	2.51	2.91
PAT Margin	(%)	2.00	0.99	0.74
ROCE	(%)	39.43	18.43	11.10
Total Debt/Tangible Net Worth	Times	0.12	0.53	2.05
PBDIT/Interest	Times	5.20	1.97	1.40
Total Debt/PBDIT	Times	0.27	1.37	7.72
Gross Current Assets (Days)	Days	201	110	191

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>

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
28-June-2018	Bill Discounting	Long Term	2.50	ACUITE B/ Stable (Reaffirmed)
	Proposed Bill Discounting	Long Term	1.50	ACUITE B/ Stable (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A4 (Reaffirmed)
	Proposed Letter of Credit	Short Term	3.00	ACUITE A4 (Reaffirmed)
03-Jul-2017	Bill Discounting	Long Term	2.50	ACUITE B/ Stable (Assigned)
	Proposed Bill Discounting	Long Term	1.50	ACUITE B/ Stable (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A4 (Assigned)
	Proposed Letter of Credit	Short Term	3.00	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
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B+/Stable (Upgrade)
Proposed Bill Discounting	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE B+/Stable (Upgrade)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4 (Reaffirmed)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Reaffirmed)

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About Acuite Ratings & Research:

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