

Press Release

Vaishali Exports (VE)

April 3, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.36.00 Cr.
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned rating of '**SMERA A4+ (read as SMERA A four plus)**' on the above mentioned bank facilities of Vaishali Exports (VE).

Vaishali Exports (VE) established in 1986, by Mr. Kishore K. Khimavat as a proprietorship concern, was re-constituted as a partnership firm in 2004. The Mumbai-based firm is engaged in the trading and export of cut and polished diamonds to UAE, USA, Thailand, Hong Kong among others.

List of key rating drivers and their detailed description

Strengths

Experienced management: The promoters, Mr. Kishore K. Khimavat and Mrs. Basantidevi K. Khimavat have over two decades of experience in the industry.

Healthy growth in revenues: VE's healthy operating income grew at a CAGR of 17.20 percent from FY2014 to FY2016 on account of increase in order book. The operating income stood at Rs.117.98 cr in FY2016 as against Rs.100.47 cr in FY2015. As per 11MFY2017 (Provisionals), the operating income stood at Rs.115.81 cr.

Average financial risk profile: VE's financial risk profile is average marked by moderate net worth of Rs.25.63 cr as on 31 March 2016. The gearing stood at 1.18 times as on 31 March 2016 as compared to 2.06 times as on 31 March 2015. The ICR stood at 2.31 times in FY2016 as compared to 2.63 times for FY2015.

Weaknesses

Fluctuating operating profitability: The operating profitability has shown uneven trend in the past due to volatility in input (diamond) prices. EBIDTA margins stood at 2.98 percent in FY2016 as compared to 3.48 percent in FY2015. The PAT margins are thin and stood at 0.50 percent in FY2016 as compared to 0.61 percent in FY2015 due to the trading nature of business.

Working capital intensive operations: VE's operations are working capital intensive as reflected in the high gross current assets (GCA) of 155 days on the back of high debtors of 114 days in FY2015-16. Further, VE's liquidity profile is stretched as the working capital limits have been fully utilised.

Foreign exchange fluctuation risk: The firm generates 100 per cent of its revenue from exports to Thailand, Hong Kong, U.A.E, USA among others. Thus, it is exposed to foreign exchange fluctuation risk for unhedged exports.

Applicable Criteria

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

About the Rated Entity – Key Financials

For FY2015-16, the profit after tax (PAT) stood at Rs.0.59 cr on operating income of Rs.117.98 cr as against PAT of Rs.0.61 cr on operating income of Rs.100.47 cr. The net worth stood at Rs.25.63 cr as on 31 March, 2016 as compared to Rs.14.90 cr in the previous year.

Status of non-cooperation with previous CRA: CRISIL has suspended its rating on the bank facilities of Vaishali Exports Private Limited (Vaishali) dated January 17, 2013. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information.

Any other information: N.A.

Rating History for the last three years:

Not Applicable

Note on complexity levels of the rated instrument

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

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/ Outlook
Export Bill Discounting	N.A.	N.A.	N.A.	36.00	SMERA A4+

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ABOUT SMERA

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