

Press Release

Vaishali Exports

September 19, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 36.00 crore bank facilities of Vaishali Exports.

Vaishali Exports (VE) established in 1986 by Mr. Kishore K. Khimavat as a proprietorship concern, was reconstituted 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, and Hong Kong among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of VE to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

VE was established by Mr. Kishore K. Khimavat in 1986. The firm is now managed by Mr. Rajan K. Khimavat who holds experience of more than two decades in this industry.

Acuité believes that VE will continue to benefit from its experienced management which will help the firm to maintain long standing relations with its customers and suppliers.

- **Decline in revenue with improvement in profitability margins**

VE shows decline in revenue for the period 31 March, 3018 (Provisional). The firm reported revenue of Rs.103.77 crore in FY2018 (Provisional) as against Rs.128.84 crore in FY2017 and Rs.117.98 crore in FY2016. However, the firm has booked revenue of Rs.50.00 crore for April to August, 2018 and expects the revenue to be ~Rs.130.00 crore in FY2019. Further, the operating margins improved to 4.30 percent in FY2018 (Provisional) as against 2.28 percent in FY2017 and 2.98 percent in FY2016. In line with the operating margin, PAT margin also improved to 0.99 percent in FY2018 (Provisional) against 0.25 percent in FY2017 and 0.50 percent in FY2016.

- **Moderate financial risk profile**

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0.99 percent in FY2018 (Provisional) against 0.25 percent in FY2017 and 0.50 percent in FY2016.

Going forward, Acuité expects the firm to maintain its financial risk profile in the absence of major debt funded capex plan.

Weakness

- **Working capital intensive operations**

The firm's operations are working capital intensive marked by high Gross Current Asset (GCA) of 231 days in FY2018 (Provisional) as compared to 181 days in FY2017. The GCA days are mainly dominated by high collection period of 175 days in FY2018 (Provisional) compared to 130 days in FY2017 and the inventory days stood at 53 days in FY2018 (Provisional) compared to 44 days in FY2017.

Acuité believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- **Foreign exchange fluctuation risk**

The firm's entire revenue is generated through exporting to different countries such as UAE, USA, Thailand, and Hong Kong, thereby exposing it to foreign exchange fluctuation risk. However, this risk is mitigated as the firm hedges 30 percent of the exports. Any adverse change in the exchange rates may impact the profitability and scale of operations of the firm.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	103.77	128.84	117.98
EBITDA	Rs. Cr.	4.46	2.94	3.52
PAT	Rs. Cr.	1.03	0.32	0.59
EBITDA Margin	(%)	4.30	2.28	2.98
PAT Margin	(%)	0.99	0.25	0.50
ROCE	(%)	5.92	3.75	8.83
Total Debt/Tangible Net Worth	Times	1.31	1.20	1.18
PBDIT/Interest	Times	2.32	1.91	2.31
Total Debt/PBDIT	Times	8.09	10.07	8.61
Gross Current Assets (Days)	Days	231	181	157

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

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

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

- Trading Entity - <https://www.acuite.in/view-rating-criteria-6.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
26-Mar-2018	Bills Discounting	Short Term	INR 36	ACUITE A4+
03-Apr-2017	Bills Discounting	Short Term	INR 36	ACUITE A4+

#Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	36.00	ACUITE A4+

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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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