

Press Release

Vaishali Exports

March 13, 2020



Rating Reaffirmed and Withdrawn

Total Bank Facilities Rated*	Rs. 20.00 Cr. (Revised from Rs.36.00 Cr.)
Short Term Rating	ACUITE A4 (Reaffirmed Rs.20.00 Cr.)
Short Term Rating	ACUITE A4 (Withdrawn Rs.16.00 Cr.)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.20.00 crore bank facilities of Vaishali Exports (VE).

Further, Acuité has withdrawn the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.16.00 crore bank facilities of VE.

Mumbai-based VE, established in 1986 by Mr. Kishore K. Khimavat as a proprietorship concern, was reconstituted as a partnership firm in 2004. The 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 has experience of more than two decades in this Gems and Jewellery 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.

Weaknesses

• Working capital intensive operations

The firm's operations are working capital intensive marked by high Gross Current Asset (GCA) of 190 days in FY2019 as compared to 231 days in FY2018. The GCA days are mainly dominated by high collection period of 158 days in FY2019 compared to 175 days in FY2018 and the inventory days stood at 27 days in FY2019 compared to 53 days in FY2018.

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

• Intense competition from players in the organized and unorganized sector

The gems & jewellery (G&J) industry is characterised by a large number of organised and unorganised players and intense competition resulting in pressure on margins. The demand for cut and polished diamonds (CPD) is directly linked to discretionary spending by the clients. Significant continued slowness in CPD market generally results in piling up of inventory or delays in realization of receivables due to challenges faced by the end customers.

Further, 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.

Acuite believes that the ability of the firm to manage steady revenue growth, while maintaining profitability and efficiently managing working capital cycle will be the key rating sensitivity factors.

Rating Sensitivities

- Stretch in GCA days to around 215-230 days.
- Substantial improvement in scale of operation (~Rs. 120.00-135.00 crore), while maintaining profitability margin of around 4.0-6.0 per cent over the medium term.

Material Covenants

None

Liquidity position: Adequate

The firm has adequate liquidity marked by its moderate net cash accruals as compared to its maturing debt obligations. The company generated cash accruals of Rs. 1.27 crore - Rs. 1.74 crore during the last three years through 2017-19; while the maturing debt obligations were nil over the same period. The cash accruals are estimated to be in the range of Rs. 1.29 crore - Rs. 1.32 crore during 2019-21, while its repayment obligations are expected to be nil over the same period. The company maintains cash and bank balances of Rs. 0.39 crore as on March 31, 2019. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accrual over the medium term.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	124.30	103.77
PAT	Rs. Cr.	0.93	1.03
PAT Margin	(%)	0.75	0.99
Total Debt/Tangible Net Worth	Times	1.09	1.31
PBDIT/Interest	Times	2.09	2.32

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
22-Nov-2019	Bills Discounting	Short Term	36.00	ACUITE A4 (Indicative)
19-Sept-2018	Bills Discounting	Short Term	36.00	ACUITE A4+ (Reaffirmed)
26-Mar-2018	Bills Discounting	Short Term	36.00	ACUITE A4+ (Indicative)
03-Apr-2017	Bills Discounting	Short Term	36.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4 (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A4 (Withdrawn)

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About Acuité Ratings & Research:

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