

## Press Release

### Vaishali Exports

May 28, 2021



### Rating Reaffirmed and Assigned

<b>Total Bank Facilities Rated*</b>	Rs.30.00Cr (Enhanced from Rs.20.00Cr)
<b>Long Term Rating</b>	ACUITE BB-/ Outlook: Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A4 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.16.00Cr bank facilities of VAISHALI EXPORTS (VE).

Further, Acuité has assigned long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on Rs.14.00Cr bank facilities of VE. The outlook is '**Stable**'.

### About the Firm

Vaishali Exports is a Mumbai-Maharashtra based partnership firm engaged in trading and export of cut and polished diamonds to countries like UAE, USA, Thailand, and Hong Kong among others. The firm was established in the year 1986 by Mr. Kishore K. Khimavat as a proprietorship concern; however, later in the year 2004, the constitution of the firm was changed to partnership.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

#### • Established track record of operations and experienced management

Established in the year 1986 as a proprietorship concern, VE has a long track record of operation of more than three decades in the aforementioned industry. Later, in the year 2004, the constitution of the firm was changed to partnership. The partners of the firm are Mr. Rajan K. Khimavat, Mrs. Basanti K. Khimavat and Mrs. Nisha R. Khimavat who holds more than two decades of experience in the gems and jewelry industry. The partners are ably assisted by a second line of management who holds experience of more than a decade in the aforementioned industry. The extensive experience of the partners and established track record of operation has helped the firm to maintain a healthy relationship with its customers and suppliers.

Acuité believes that the firm will benefit from its experienced management, long track of operation and healthy relationship with its customers and suppliers.

#### • Moderate financial risk profile

VE's financial risk profile is moderate marked by moderate net worth, low gearing coupled with moderate debt protection metrics and coverage indicators. The firm's net worth stood at Rs.32.17Cr (Prov.) as on March 31, 2021 as against Rs.26.61Cr as on March 31, 2020. The firm has followed conservative leverage policy in the past which can be marked with peak gearing and total outside liabilities to tangible net worth (TOL/TNW) of 1.09 times and 1.45 times in FY2019. The gearing and total outside liabilities to tangible net worth (TOL/TNW) stood at around 0.56 times (Prov.) and 1.06 times (Prov.) respectively as on March 31, 2021. The firm on the other hand generated cash accruals of Rs.1.41Cr (Prov.) in FY2021 as against Rs.1.60Cr in FY2020.

The revenue of the firm has improved by around 16.83 percent to Rs.87.52Cr (Prov.) in FY2021. EBITDA in absolute term stood at Rs.2.25Cr (Prov.) in FY2021 as against Rs.3.19Cr in FY2020. The decline in the EBITDA is due to volatility in the price of the products. The PAT of the firm stood at Rs.0.74Cr (Prov.) in FY2021. The firm's profitability margin has declined in FY2021 as against FY2020. The operating margin and the PAT margin of the firm stood at 2.57 percent (Prov.) and 0.84 percent (Prov.) respectively in FY2021 as against 4.26 percent and 1.15 percent respectively in FY2020.

The moderate profitability level, coupled with moderate debt level, has led to moderate debt protection measures. The NCA/TD and interest coverage ratio for FY2021 stands at 0.08 times (Prov.) and 4.23 times respectively as against 0.12 times and 2.97 times in FY2020, respectively. The debt service coverage ratio stood 3.65 times (Prov.) in FY2021 as against 2.49 times in FY2020. The Debt-EBITDA ratio stands at 8.02times (Prov.) in FY2021 against 4.04times in FY2020.

Acuite believes that improvement in the scale of operations and profitability will be crucial for the firm to improve its financial risk profile.

### Weaknesses

- **Working capital operation is intensive in nature**

VE's working capital operation is intensive in nature as it is reflected by its gross current asset (GCA) days of around 254 days (Prov.) in FY2021 as against 196 days in FY2020. This is inherent in the aforementioned industry due to the nature of the product. The GCA days are mainly dominated by increase in the debtor collection period of 185 days (Prov.) in FY2021 as against 140 days in FY2020 and also due to elongation in the credit payment period of 67 days (Prov.) in FY2021 as against 36 days in FY2020. The elongation is mainly on account of nationwide lockdown and delay in the realization of payments. The average bank limit utilization stood high at around 80.79 percent for six months ended March, 2021, while its peak utilization was high at around 94.25 percent during the same period.

Acuite expects the working capital management to remain intensive over the medium term on account of high debtor collection period.

- **Intense competition from players in the organized and unorganized sector**

The gems & jewelry industry is characterized by a large number of organized and unorganized 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.

### Rating Sensitivities

- Substantial improvement in the scale of operations and profitability margins leading to improvement in overall financial risk profile
- Any further stretch in the working capital management will lead to weakening of the liquidity of the firm

### Material Covenants

None

### Liquidity position: Adequate

The firm has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.1.41Cr (Prov.) in FY2021, while its' maturing debt obligation was nil for the same period. The cash accrual of the firm is estimated to remain around Rs.1.50Cr to Rs.2.30Cr during 2022-24 against repayment obligations of around Rs.0.40Cr to Rs.0.90Cr during the same period. The firm's working capital operations is intensive in nature marked by the gross current asset (GCA) days of 254 days (Prov.) in FY2021 as against 196 days in FY2020. The average bank limit utilization stood high at around 80.74 per cent for six months ended March, 2021. The firm maintains unencumbered cash and bank balances of Rs.3.13Cr (Prov.) as on 31 March 2021. The current ratio of the company stood at 1.94 times (Prov.) as on 31 March 2021 from 2.01 times as on March 31, 2020.

### Outlook: Stable

Acuite believes that the firm will maintain a stable outlook over the medium term backed by its experienced management, established track record of operation in the aforementioned industry and moderate financial risk profile. The outlook may be revised to 'Positive', if the firm registers higher than

expected growth in its revenue while improving its operating margins from its current levels along with efficient working capital management. Conversely, the outlook may be revised to "Negative", if the firm registers lower than expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working cycle.

### About the Rated Entity - Key Financials

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	87.52	74.91
PAT	Rs. Cr.	0.74	0.86
PAT Margin	(%)	0.84	1.15
Total Debt/Tangible Net Worth	Times	0.56	0.48
PBDIT/Interest	Times	4.23	2.97

### 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-52.htm>
- Entities in Trading Sector - <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/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Mar-2020	Bill Discounting	Short Term	20.00	ACUITE A4 (Reaffirmed)
	Bill Discounting	Short Term	16.00	ACUITE A4 (Withdrawn)
22-Nov-2019	Bill Discounting	Short Term	36.00	ACUITE A4 (Indicative)
19-Sep-2018	Bill Discounting	Short Term	36.00	ACUITE A4+ (Withdrawn)

### \*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	16.00 (Revised from Rs.20.00Cr)	ACUITE A4 (Reaffirmed)
Term Loan (GECL-Covid)	Not Available	7.50%	Not Available	2.98	ACUITE BB-/Stable (Assigned)
Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	11.02	ACUITE A4 (Assigned)

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### About Acuité Ratings & Research:

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