

Press Release

Vaishali Exports

July 19, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.98	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	27.02	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the 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 the Rs.16.00 Cr bank facilities of **VAISHALI EXPORTS (VE)**. The outlook is '**Stable**'.

Rationale for reaffirmation:

The rating has been reaffirmed basis the improvement in operating performance in FY2022(Prov.) and moderate financial risk profile of Vaishali Exports. VE's operating income stood at Rs.173.79 Cr in FY2022(Prov.) as against Rs.87.26 Cr in FY2021. The firm's financial risk profile continues to remain moderate marked by moderate net worth, moderate gearing coupled with modest debt protection metrics and coverage indicators.

About the Company

Vaishali Exports is a Mumbai based partnership firm 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. The partners of the firm are Mr. Rajan K. Khimavat, Mrs. Basanti K. Khimavat and Mrs. Nisha R. Khimavat. It is engaged in trading of cut and polished diamonds. It caters primarily to export market. It majorly exports to countries like UAE and Thailand.

Analytical Approach

Acuite 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

VE was established in the year 1986 as a proprietorship concern by Mr. Kishore K. Khimavat.

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 operations has helped the firm to maintain a healthy relationship with its customers and suppliers. VE's revenue improved to Rs. 173.79 Cr. in FY22(Prov.) as against Rs. 87.26 Cr. in FY21, while its operating profitability stood at to 1.93 percent in FY22(Prov.) as against 2.56 percent in FY21.

Acuité believes that the firm will continue to benefit from its established track record of operations and experienced management over the medium term.

- **Moderate financial risk profile**

Vaishali Exports has a moderate financial risk profile marked by moderate networth, moderate gearing and modest debt protection metrics. The networth increased to Rs. 34.63 Cr. In FY22(Prov.) as against Rs. 32.05 Cr. In FY21. The increase in networth is due to accretion of net profit to reserves. The firm's total debt stood at Rs. 28.93 Cr. as on March 31, 2022(Prov.) as against Rs. 18.06 Cr. as on March 31, 2021. The total debt includes short term borrowings of Rs. 24.75 Cr and long term loans of Rs. 4.18 Cr. The firm's overall gearing increased to 0.84 times as on March 31, 2022(Prov.) as against 0.56 times as on March 31, 2021. The TOL/TNW stood at 2.12 times as on March 31, 2022(Prov.) as against 1.05 times as on March 31, 2021. The ICR declined to 2.42 times in FY22(Prov.) as against 3.57 times in FY21. The DSCR declined to 2.42 times in FY22(Prov.) as against 3.07 times in FY21.

Acuité expects VE's financial risk profile to remain moderate over the medium term in the absence of any major debt funded capex plan.

Weaknesses

- **Working capital intensive nature of operations**

VE's operations are highly working capital intensive in nature. The GCA days decreased to 216 days as on March 31, 2022(Prov.) as against 251 days as on March 31, 2021. The GCA days are driven by debtor days and inventory days. The debtor days decreased to 154 days as on March 31, 2022(Prov.) as against 185 days as on March 31, 2021. The inventory days increased to 49 days as on March 31, 2022(Prov.) as against 51 days as on March 31, 2021. The creditor days increased to 94 days as on March 31, 2022(Prov.) as against 67 days as on March 31, 2021. The average fund based working capital limit utilisation stood at ~95 percent for last 6 months ended June, 2022.

Acuité believes the firm's ability to restrict elongation in its working capital cycle will be a key rating sensitivity

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

The gems & jewellery 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

- Sustenance of improvement in the scale of operations, while maintaining the profitability margins and capital structure

- Ability to restrict elongation in working capital cycle

Material covenants

None

Liquidity Position

Adequate

The firm has adequate liquidity marked by moderate net cash accruals vis-a-vis its maturing debt obligations. The firm generated NCA of Rs. 1.98 Cr. in FY22(Prov.) as against negligible maturing debt obligations. Going forward, the net cash accruals are expected to remain in the range of Rs. 1.5-2.5 Cr in FY23-24 as against maturing debt obligations of Rs. 0.90- 1.2 Cr. The fund based working capital limits remain utilised at an average of 95 percent for last 6 months ended June ,2022.The unencumbered cash and bank balance stood at Rs. 4.96 Cr. as on March 31, 2022(Prov.).. The current ratio of the company stood at 2.32 times as on March 31, 2022(Prov.).

Acuite expects the liquidity position of VE to remain adequate over the medium term on account of moderate cash accruals against debt repayment obligations.

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 operations and moderate financial risk profile. The outlook may be revised to 'Positive', if the firm generates a significant and sustainable growth in its revenue while maintaining its operating margins 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 significant elongation in the working cycle.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	173.79	87.26
PAT	Rs. Cr.	1.38	0.63
PAT Margin	(%)	0.80	0.72
Total Debt/Tangible Net Worth	Times	0.84	0.56
PBDIT/Interest	Times	2.42	3.57

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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 May 2021	Term Loan	Long Term	2.98	ACUITE BB- Stable (Assigned)
	Bills Discounting	Short Term	16.00	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Short Term	11.02	ACUITE A4 (Assigned)
13 Mar 2020	Bills Discounting	Short Term	16.00	ACUITE A4 (Withdrawn)
	Bills Discounting	Short Term	20.00	ACUITE A4 (Reaffirmed)
22 Nov 2019	Bills Discounting	Short Term	36.00	ACUITE A4 (Issuer not co-operating*)
19 Sep 2018	Bills Discounting	Short Term	36.00	ACUITE A4+ (Reaffirmed)
26 Mar 2018	Bills Discounting	Short Term	36.00	ACUITE A4+ (Issuer not co-operating*)
03 Apr 2017	Bills Discounting	Short Term	36.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Karur Vysya Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A4 Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	11.02	ACUITE A4 Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	7.50	Not available	2.98	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

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