



Press Release
Vaishali Exports
October 05, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.99	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	27.01	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	30.00	-	-

Rating Rationale

Acuite has reaffirmed its 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.30.00 Cr bank facilities of Vaishali Exports (VE). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation is on account of the stable operating and financial performance of Vaishali Exports marked by moderation in operating income, improved profitability, and a moderate financial risk profile.

The firm's revenue stood at Rs.144.34 Cr. in FY2023 as against Rs. 173.81 Cr. in FY2022. The firm achieved around Rs.24 Cr. revenue in 3MFY2024. The operating profitability improved to 2.36 percent in FY2023 as against 1.66 percent in FY2022. The firm's financial risk profile continues to remain moderate marked by moderate net-worth, gearing, and average debt protection metrics.

Going forward, Vaishali Exports ability to improve its scale of operations and profitability margins without deterioration in its financial risk profile and elongation in working capital cycle will remain a key rating monitorable.

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 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.

Acuite 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 net-worth, gearing, and average debt protection metrics. The net-worth stood at Rs.34.01 Cr. in FY2023 as against Rs.34.13 Cr. in FY2022. The firm's total debt stood at Rs. 27.63 Cr. as on March 31, 2023 as against Rs. 28.93 Cr. as on March 31, 2022. The total debt includes bills discounting facility of Rs. 24.47 Cr and GECL loans of Rs. 3.16 Cr. The firm's gearing marginally improved to 0.81 times as on March 31, 2023 as against 0.85 times as on March 31, 2022. The TOL/TNW improved to 1.71 times as on March 31, 2023 as against 2.17 times as on March 31, 2022. The ICR declined to 2.19 times in FY2023 as against 3.19 times in FY2022. The DSCR decreased to 1.14 times in FY2023 as against 2.62 times in FY2022. The NCA/TD stood at 0.05 times in FY2023 and in FY2022 as well.

Acuite 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

The firm's operations are working capital intensive in nature. The GCA days stood at 221 days as on March 31, 2023 as against 205 days as on March 31, 2022. The GCA days are driven by debtor days and inventory days. The debtor days stood at 148 days as on March 31, 2023 as against 154 days as on March 31, 2022. The firm offers a credit period of up-to 175 days to its customers and approx. 95 percent payment is realised within 180 days. High debtor days is inherent in the industry. The inventory days increased to 66 days as on March 31, 2023, as against 48 days as on March 31, 2022. The creditor days stood at 76 days as on March 31, 2023 as against 94 days as on March 31, 2022. It has a sanctioned bills discounting facility of Rs. 25 Cr and utilisation is approx. 92 percent for the six months period ended June, 2023.

Acuite 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 slowdown 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

Improvement in the scale of operations, while maintaining the profitability margins and capital structure.

Ability to restrict elongation in working capital cycle.

All Covenants

Not Applicable

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. 1.36 Cr. in FY2023 as against maturing debt obligations of Rs.0.99 Cr. Going forward, the net cash accruals are expected to remain in the range of Rs. 1.44 Cr & Rs.1.80 Cr in FY24 & 25 as against maturing debt obligations of Rs.0.93-1.09 Cr. The company has working-capital-intensive nature of operations. It has a sanctioned bills discounting facility of Rs. 25 Cr and utilisation is approx. 92 percent for the six months

period ended June,2023.. The unencumbered cash and bank balance stood at Rs. 0.76 Cr. as on March 31, 2023. The current ratio of the company stood at 1.57 times as on March 31, 2023, as against 1.46 times as on March 31, 2022.

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

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	144.34	173.81
PAT	Rs. Cr.	0.83	0.87
PAT Margin	(%)	0.57	0.50
Total Debt/Tangible Net Worth	Times	0.81	0.85
PBDIT/Interest	Times	2.19	3.19

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 Entitie: <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Jul 2022	Term Loan	Long Term	2.98	ACUITE BB- Stable (Reaffirmed)
	Bills Discounting	Short Term	16.00	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Short Term	11.02	ACUITE A4 (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Karur Vysya Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A4 Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.01	ACUITE A4 Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.49	ACUITE BB- Stable Reaffirmed
Karur Vysya Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.50	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

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