

Press Release

D V Exports

July 26, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) on the Rs.15.00 crore bank facilities of D V Exports. The outlook is '**Stable**'.

D V Exports (DVE), established in 2007, is proprietorship firm engaged in trading of cotton bales, seeds and hull. It is promoted by Mr. Sanchit Rajpal. DVE is a part of Manjeet Group. The group consists of various companies and firms predominantly engaged in cotton ginning, cotton pressing and cotton trading activities.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the D V Exports to arrive at this rating. The rating has been notched up for group support from Manjeet Group.

Key Rating Drivers

Strengths

- **Experienced promoter**

DVE has track record of a decade which has helped develop and maintain long standing relations with customers and suppliers. The firm also benefits from its experienced promoter, who possesses around three decades of experience in the cotton textile industry.

- **Moderate financial risk profile**

The financial risk profile of the firm is moderate marked by healthy net worth, comfortable gearing and modest debt protection metrics. The net worth stood at Rs.46.00 crore as on 31 March, 2017 compared to Rs.43.03 crore as on 31 March, 2016. The gearing stood at 0.44 times as on 31 March, 2017 as against 0.17 times as on 31 March, 2016. The total debt of Rs.20.17 crore comprises working capital borrowing of Rs.3.17 crore and unsecured loans from directors of Rs.17.00 crore as on 31 March, 2017. The interest coverage ratio (ICR) stood at 1.77 times for FY2017 as against 1.90 times for FY2016. The total outside liabilities to tangible net worth (TOL/TNW) stood at 0.65 times in FY2017 and 0.37 times in FY2016. Going forward, Acuite expects the firm to maintain its financial risk profile and improve its net worth backed by steady accruals.

Weaknesses

- **Volatility in raw material prices and government regulatory constraints**

Cotton prices are regulated by the government through the MSP (Minimum Support Price) mechanism. However, the selling price of the output depends on the prevailing demand-supply situation, restricting bargaining power with customers, thereby impacting margins.

- **Agro climatic risks**

Cotton is a seasonal crop and the production of the same is highly dependent upon monsoons. Thus, an inadequate monsoon may affect the availability of cotton.

Outlook: Stable

Acuite believes that DVE will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers significant growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	71.71	49.89	55.23
EBITDA	Rs. Cr.	1.89	3.73	3.35
PAT	Rs. Cr.	2.07	3.32	1.50
EBITDA Margin	(%)	2.64	7.48	6.07
PAT Margin	(%)	2.88	6.65	2.71
ROCE	(%)	8.28	13.70	23.79
Total Debt/Tangible Net Worth	Times	0.44	0.17	0.37
PBDIT/Interest	Times	1.77	1.90	1.33
Total Debt/PBDIT	Times	4.14	1.04	2.24
Gross Current Assets (Days)	Days	284	298	248

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

India Ratings, vide its press release dated Nov 17, 2017 had denoted the rating of DVE Limited as 'IND BB-; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'IND BB-/Stable' vide its press release dated Nov 16, 2016.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- / Stable

Contacts

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About Acuité Ratings & Research:

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