

## Press Release

**QVC Exports Limited (Erstwhile QVC Exports Private Limited)**

**May 04, 2023**



## Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.36	ACUITE BB-   Stable   Reaffirmed	-
Bank Loan Ratings	31.64	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	40.00	-	-

## Rating Rationale

Acuite has reaffirmed the long term rating to '**ACUITE BB-**' (read as **ACUITE Double B minus**) and the short term rating to '**ACUITE A4+**' (read as **ACUITE A Four plus**) on the Rs.40.00 Cr bank facilities of QVC Exports Limited (QEL). The outlook is '**Stable**'.

### Rationale for the rating

The rating continues to reflect extensive experience of the management coupled with substantial growth in revenues of the group in FY22 and as well as in FY23 (Provisional). The revenue of the group improved to Rs.146.11 crore in FY2022 from Rs.75.90 crore in the previous year. Also, the group has registered Rs.244.86 crore in FY23 (Provisional). However, these strengths are partially offset by the deterioration in operating profit margin, average financial risk profile and working capital intensive nature of operation. Going forward, Acuite will also take a note that any deviation in audited financials of the company from the provided provisional numbers for FY2023 will impart a negative biased on the rating of the group.

### About Company

Incorporated in 2005, QEL is a Kolkata-based company engaged in trading of metals and minerals, such as iron, steel, ferroalloys (silico manganese, high carbon ferro chromes among others) copper, nickel, aluminum, manganese ore, coal and coke. Ferro alloys products are mostly exported to European countries, whereas, other products are sold in the domestic markets. QEL is promoted by Mr. Nilesh Sharma, who has over a decade of experience in the same line of business.

### About the Group

QVC International Private Limited was incorporated in the year 2007 by Mr. Sumit Kumar and family. Later, in 2010, the company was taken over by the current management, Mr. Nilesh Kumar Sharma and family, and it was renamed to QVC International Private Limited. The company is engaged in trading of manganese ore and ferroalloys. The company has its registered office at Kolkata, district of West Bengal.

## **Analytical Approach**

### **Extent of Consolidation**

- Full Consolidation

### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has consolidated the business and financial risk profiles of QVC Exports Limited (QEL) and QVC International Private Limited (QIPL) together referred to as the 'QVC Group'. The consolidation is in the view of common promoters and management, intercompany holdings, operational linkages between the entities and a similar line of business.

### **Key Rating Drivers**

#### **Strengths**

##### **Experienced Management and long track record of operation**

Incorporated in 2005, the group has a long track record of operations for over a decade in trading of different metals and minerals. The directors of the company, Mr. Nilesch Kumar Sharma and Mr. Rajendra Kumar Sharma have more than a decade of experience in the wholesale trading of manganese ore. The long track record and extensive experience of the promoters has resulted in establishing healthy relationship with the customers.

Acuité believes that the extensive experience of promoters of the group will continue to benefit the operations of the company over the medium term.

##### **Improving scale of operations**

The revenue from operations of the group witnessed a 92.51 per cent growth in FY2022 to Rs.146.11 crore in FY2022 as compared to Rs.75.90 crore in the previous year. This growth of the revenue is majorly due to increase trading sales during the period backed by healthy demand from the global as well as from the domestic market. The group has further registered Rs. 244.59 crore of revenues till 31st March 2023 (Provisional.). Despite the improvement, the revenue from operations of the group remain low compared to pre-covid levels. The operating performance was impacted on account of decline in demand starting FY2020, which got further accentuated in FY 2021, due to the COVID 19 pandemic lockdown and associated disruptions.

Acuité believes that the operations of the company is expected to continue the growth momentum on account of healthy demand from both international and domestic market over the medium term.

#### **Weaknesses**

##### **Deterioration in profitability margins**

The group has faced operating loss during FY2022 baked by substantial increase in operating expenses during the period. However, the group could not manage its incremental cost due to substantial increase in selling expenses mainly consists with increased freight cost during FY2022. Nevertheless, the group has managed to reduce its overall operating cost during FY2023 (Provisional) and able to booked operating profit of 2.46 per cent as on 31st March 2023 (Provisional). The net profitability margin of the company stood low at 0.68 per cent in FY2022 and in FY2021 respectively. Going forward, Acuité believes that any deviation from estimated number for FY2023 (Provisional) will be a negative biased on the rating of the group.

##### **Average financial risk profile**

The financial risk profile of the group is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the group stood moderate at Rs.22.94 crore in FY2022 as compared to Rs 21.93 crore in FY2021. This improvement in networth is mainly due to the retention of profit for FY2022. The gearing of the group stood at 0.94 times as on March 31, 2022 when compared to 1.01 times as on March 31, 2021. Interest coverage ratio

(ICR) is comfortable and stood at 2.36 times in FY2022 as against 1.64 times in FY2021. The debt service coverage ratio (DSCR) of the group also stood comfortable at 1.99 times in FY2022 as compared to 1.47 times in the previous year. The net cash accruals to total debt (NCA/TD) stood very low at 0.05 times in FY2022 and 0.03 times in FY2021 respectively.

Acuité believes the financial risk profile of the company will remain average on account of low net cash accruals over the near term.

### **Working capital intensive nature of operation**

The working capital management of the group is marked by improved yet high gross current assets (GCA) days of 121 days as on 31<sup>st</sup> March 2022 as compared to 231 days in previous year. The improvement in GCA days is on account of improvement in debtor days to 46 days in FY2022 as compared from 74 days in the previous year. The inventory days stood comfortable at 16 days in FY2022 as compared to 21 days in the previous year. Moreover, this high GCA days in emanates from the high other current assets of the group which majorly comprises with advance to suppliers, other loans and advances and statutory deposits. Acuité believes that the ability of the group to manage its working capital operations efficiently will remain a key rating sensitivity.

### **Rating Sensitivities**

Growth in revenue along with improvement in profitability margins  
Elongation of working capital cycle

### **Material Covenants**

None

### **Liquidity Position Stretched**

The group has stretched liquidity position marked by low net cash accruals of Rs.1.10 crore in FY2022 as against debt obligations of Rs.80 crore during the same period. The company also has incurred operating losses to the tune of Rs.1.96 crore in FY22. The current ratio of the group stood comfortable at 1.66 times in FY2022. The bank limit of the group has been ~75 percent utilized during the last six months ended in March 2023. The Gross Current Asset (GCA) days of the company also stood high at 121 days in FY2022. Acuité believes that the liquidity of the group is likely to remain stretched over the medium term on account of low cash accruals over the medium term.

### **Outlook:Stable**

Acuité believes that the outlook on QVC group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, moderate business risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while improving its capital structure through equity infusion. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further deterioration in its working capital cycle and any deviation in the audited numbers from the provisional numbers of FY2023.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	146.11	75.90
PAT	Rs. Cr.	1.00	0.52
PAT Margin	(%)	0.68	0.68
Total Debt/Tangible Net Worth	Times	0.94	1.01
PBDIT/Interest	Times	2.36	1.64

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

Not Applicable

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.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](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Feb 2022	Packing Credit	Short Term	12.00	ACUITE A4+ (Reaffirmed)
	Working Capital Term Loan	Long Term	3.55	ACUITE BB-   Stable (Downgraded from ACUITE BB )
	Proposed Short Term Loan	Short Term	1.89	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.81	ACUITE BB-   Stable (Downgraded from ACUITE BB )
	Bills Discounting	Short Term	9.75	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB-   Stable (Downgraded from ACUITE BB )
04 Jan	Proposed Long Term Loan	Long Term	4.25	ACUITE BB (Downgraded and Issuer not co-operating*)
	Packing Credit	Short Term	12.00	ACUITE A4+ (Issuer not co-operating*)
	Letter of Credit	Short Term	8.00	ACUITE A4+ (Issuer not co-operating*)

2021	Proposed Short Term Loan	Short Term	4.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	2.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Bills Discounting	Short Term	9.75	ACUITE A4+ (Issuer not co-operating*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	9.75	ACUITE A4+   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	3.55	ACUITE BB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A4+   Reaffirmed
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	2.81	ACUITE BB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.89	ACUITE A4+   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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