

Press Release

QVC Exports Private Limited (QEPL)

September 21, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BB+/Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 40.00 crore bank facilities of QVC Exports Private Limited (QEPL). The outlook is '**Stable**'.

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

Key Rating Drivers

Strengths

Experienced management and long track record of operation:

Incrportaed in 2005- QEPL has a long track of over a decade in trading of different metals and minerals. The long track record has resulted in establishing healthy relationship with the customers.

Above average financial risk profile:

The above average financial risk profile of the company is marked by moderate network, comfortable gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.15.54 crore in FY2018 (Prov.) as compared to Rs.14.64 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood comfortable at 1.05 times in FY2018 (Prov.) as compared to 1.31 times in FY2017. The total debt of Rs.16.34 crore consists only of short-term debt from bank. The interest coverage ratio (ICR) of the company stood comfortable at 2.01 times in FY2018 (Prov.) as compared to 1.79 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.67 times in FY2018 (Prov.) as compared to 1.51 times in FY2017. The net cash accruals against the total debt stand low at 0.06 times in FY2018 (Prov.) compared to 0.04 times in FY2017.

Improvement in operating income

The revenue of the company has improved from 104.19 crore in FY 2016 to Rs.144.83 crore in FY2018 (Prov.), thereby registered compound annual growth rate (CAGR) of 17.9 per cent during the last two year.

Weaknesses

Low profitability:

Though the operating margin has improved but still stands low at 1.94 per cent in FY 2018 (Prov.) as compared to 1.76 per cent in FY 2017. Net profitability has also increased and stands low at 0.64 per cent in FY2018 (Prov.) as compared to 0.51 per cent in FY2017. The low profitability is on account of trading nature of operations.

Competitive and fragmented nature of industry:

The company competes with some of the major players in the trading industry thus limiting the pricing power. Also, the company competes with unorganized segment which forms a major part of this market.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

Acuite believes that the outlook of the QEPL will remain stable over the medium term on account of healthy revenue visibility. Outlook will be revised to positive if firm able to increase in scale of operations and profitability while maintain comfortable financial risk profile. On the contrary; the outlook will be revised to negative in a scenario of decline in the scale of operations and profitability or any deterioration in financial risk profile owing to increase in working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY 16 (Actual)
Operating Income	Rs. Cr.	144.83	127.71	104.19
EBITDA	Rs. Cr.	2.81	2.24	2.09
PAT	Rs. Cr.	0.93	0.65	0.47
EBITDA Margin	(%)	1.94	1.76	2.00
PAT Margin	(%)	0.64	0.51	0.45
ROCE	(%)	9.24	8.48	8.32
Total Debt/Tangible Net Worth	Times	1.05	1.31	1.23
PBDIT/Interest	Times	2.01	1.79	1.54
Total Debt/PBDIT	Times	5.18	7.35	5.93
Gross Current Assets (Days)	Days	75	92	95

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Trade Entities – <https://www.acuite.in/view-rating-criteria-6.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+/Stable (Assigned)
EPC/PCFC	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4+ (Assigned)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	9.75	ACUITE A4+ (Assigned)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE BB+/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4+ (Assigned)
Proposed Short Term	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Assigned)

* Continuation of fully interchangeability allowed between LC & BG limits.

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