

Press Release

QVC Export Private Limited

October 18, 2019

Rating Reaffirmed



Total Bank Facilities Rated	Rs. 40.00 crore
Long Term Rating	ACUITE BB+/ Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed 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 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. QEPL is promoted by Mr Nilesh Sharma, who has over a decade of experience in the same line of business.

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of QEPL to arrive at the rating.

Key Rating Drivers:

Strengths

- Experienced management**

Incorporated in 2005, QEPL has a long track record 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 net worth, moderate gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.17.50 crore in FY2019 (Prov.) as compared to Rs.15.54 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit. The gearing of the company stood moderate at 1.45 times as on March 31, 2019 (Prov.) when compared to 1.05 times as on March 31, 2018. The total debt of Rs. 25.43 crore in FY2019 (Prov.) consist short-term loan of Rs.18.18 crore, and unsecured loan from promoters of Rs. 7.25 crore. Interest coverage ratio (ICR) was comfortable and stood at 3.41 times in FY2019 (Prov.) as against 2.01 times in FY 2018. The debt service coverage ratio also stood comfortable at 2.63 times in FY2019 (Prov.) as against of 1.66 times in FY2018. Total outside liability as against tangible net worth (TOL/TNW) stood high at 3.97 times In FY2019 (Prov.) as compared to 1.36 times in previous year.

- Healthy scale of operation**

The scale of operation of the company stood healthy by the total revenue of Rs. 285.40 crore in FY2019 (Prov.) as compared to Rs.144.85 crore in FY2018. This significant increase in revenue is mainly on account of increase in demand in domestic as well as international market. The company has booked Rs.138.34 crore till end of September in this fiscal.

Weaknesses

- Low profitability**

The operating profit margin of the company has declined to 1.26 per cent in FY2019 (Prov.) as compared to 1.92 per cent in previous year. The decline in profitability is mainly on account of increase

in price of goods purchased for trading activity. However, the net profitability of the company has increased to 0.69 per cent in FY2019 (Prov.) as compared to 0.64 per cent in previous year.

• 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.

Rating Sensitivity

- Scaling up of operations, while maintain profit margin
- Working capital management

Material Covenants

None

Liquidity Position: Healthy

The company has healthy liquidity position marked by adequate cash accrual of Rs. 2.12 crore in FY2019 (Prov.) as against of no major long-term debt obligation. Along with unencumbered cash and cash equivalents of Rs.1.40 crore in FY2019 (Prov.) also support the liquidity of the company.

Outlook: Stable

Acuité 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 the company is able to increase scale of operations, while maintaining healthy profitability. On the contrary, the outlook will be revised to 'Negative' in a scenario of decline in the scale of operations resulting into decline in the revenues affecting margins and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	285.40	144.85	127.71
EBITDA	Rs. Cr.	3.60	2.77	2.24
PAT	Rs. Cr.	1.96	0.92	0.65
EBITDA Margin	(%)	1.26	1.92	1.76
PAT Margin	(%)	0.69	0.64	0.51
ROCE	(%)	11.44	9.23	8.48
Total Debt/Tangible Net Worth	Times	1.45	1.05	1.31
PBDIT/Interest	Times	3.41	2.01	1.79
Total Debt/PBDIT	Times	5.73	5.19	7.35
Gross Current Assets (Days)	Days	100	76	92

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-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
21-Sep-2018	Cash Credit	Long Term	2.00	ACUITE BB+/Stable (Assigned)
	PCFC	Short Term	12.00	ACUITE A4+ (Assigned)
	Bill Discounting	Short Term	9.75	ACUITE A4+ (Assigned)
	Proposed Long Term Loan	Long Term	4.25	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A4+ (Assigned)
	Proposed Short Term	Short Term	4.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+/Stable (Reaffirmed)
PCFC	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4+ (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	9.75	ACUITE A4+ (Reaffirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE BB+/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4+ (Reaffirmed)
Proposed Short Term	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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