

Press Release

QVC Exports Private Limited

February 03, 2022



Rating Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.36	ACUITE BB- Stable Downgraded	-
Bank Loan Ratings	31.64	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	40.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE BB-**' (read as **ACUITE Double B minus**) from '**ACUITE BB**' (read as **ACUITE Double B**) and reaffirmed the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.40.00 Cr bank facilities of QVC Exports Private Limited (QEPL). The outlook remains '**Stable**'.

The ratings are constrained by the adverse impact of the Covid-19 pandemic exacerbated by the lockdowns in the export markets, which have led to a significant decline in revenues and accruals in FY2020 and FY2021. Nonetheless, the group's revenue partly recovered in 6M FY2022 with the revival in export demand for minerals. The ratings also reflect a deterioration in the financial risk profile of the group, characterized by deterioration in the coverage indicators owing to lower absolute earnings in FY2021.

About Company

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.

About the Group

The group consists of one more entity namely QVC International Private Limited, 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 Power Limited (QEPL) and QVC International Power 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

- Extensive experience of the promoters**

Incorporated in 2005, the group 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. The directors of the company, Mr. Nilesh Kumar Sharma and Mr. Rajendra Kumar Sharma, have more than a decade of experience in the wholesale trading of manganese ore.

Acuité believes that promoter's vast experience has enabled the group to build healthy relationships with customers at global level and helped in securing repeat orders.

- Average financial risk profile**

The group's average financial risk profile is marked by modest networth base, moderate gearing and moderate debt protection metrics. The tangible net worth of the group improved to Rs.21.93 crore as on March 31, 2021 from Rs.21.40 crore as on March 31, 2020 due to accretion of reserves. Gearing of the group improved to 1.01 times as on March 31, 2021 as compared to 1.15 as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.59 times as on March 31, 2021 as against 2.84 times as on March 31, 2020. The moderate debt protection metrics of the group is marked by Interest Coverage Ratio at 1.64 times as on March 31, 2021 and Debt Service Coverage Ratio at 1.47 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.03 times as on March 31, 2021.

Acuité believes that financial risk profile is expected to be moderate over the medium term and no major debt funded capex plans.

Weaknesses

- Contraction in revenues and earnings amid the pandemic**

The significant deterioration in the business risk profile of the group over the last two years is marked by decline in revenue and cash losses. The operating performance was impacted on account of decline in demand starting FY 2020, which got further accentuated in FY 2021, due to the COVID 19 pandemic lockdown and associated disruptions. Revenue of the group has declined over the last 2 years from Rs 341.91 crores in FY 2019 to Rs 75.90 crores in FY 2021. The group witnessed a decline in order book from Q4 FY2020 onwards and the Covid induced lockdown across the globe led to steep fall in demand particularly from China, which was the origin of the pandemic. However, despite the operational disruptions faced by the group in H1 FY2021, which led to a steep decline in its operating income in FY2021, its financial profile and liquidity position remained comfortable. While the second wave of the pandemic resulted in operational disruptions in Q1 FY2022, nonetheless, the group booked revenue of Rs. 102.20 Cr in 9M FY2022, thereby witnessing a recovery in export demand following the opening up of the global economy. The uptick in the revenues and scale of operations would be a key monitorable over the medium term.

- Working capital intensive nature of operations**

The working capital intensive nature of operations of the group is marked by high Gross Current Assets (GCA) of 231 days as on March 31, 2021 as against 96 days as on March 31, 2020. The high GCA days are on account of high debtor period which stood at 74 days as on March 31, 2021 as compared to 29 days as on 31st March 2020. In FY20, the significant fall in debtors were in line with the Indian ports facing serious inland service shortages amid a nationwide lockdown, exporters and importers were scrambling to move cargo in and out of terminals across the country. Working capital intensity has increased further in FY2021 following high credit period allowed to the customers due to Covid-19 led stretch in the liquidity position of industry players. However, the inventory period stood comfortable at 21 days as on 31st March, 2021 against 6 days in the previous year. Going forward, Acuité believes that the working capital management of the company will remain at similar levels as evident from the moderate collection mechanism and low inventory levels over the medium term.

- **Vulnerability to volatility in forex rates and raw material and finished good prices**

Cost and supply of manganese ore (key raw material) directly affect the pricing of silico manganese. Hence, the operating margin remains susceptible to any sharp change in the price of manganese ore, power and coke. Further, the company has limited pricing power with suppliers and customers, especially large players. Profitability also remains exposed to any unfavorable fluctuation in forex rates.

Rating Sensitivities

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

Material Covenants

None

Liquidity Position: Adequate

The group's liquidity is adequate marked by sufficient net cash accruals stood at Rs. 0.64 Cr as on March 31, 2021 as against no long term debt repayment over the same period. The current ratio stood comfortable at 1.77 times as on March 31, 2021. Further, the fund based limit of the group remained moderately utilised at only 52 per cent over eight months ended November, 2021. The group has applied for a covid loan of Rs. 3.55 Cr. The cash and bank balances of the company stood at Rs.1.02 Cr as on March 31, 2021 as compared to Rs. 6.13 Cr as on March 31, 2020. However, the working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 186 days as on March 31, 2021 as against 96 days as on March 31, 2020. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

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 and comfortable financial 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 decline in revenue or operating margins, deterioration in financial risk profile or further deterioration in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	75.90	267.20
PAT	Rs. Cr.	0.52	1.87
PAT Margin	(%)	0.68	0.70
Total Debt/Tangible Net Worth	Times	1.01	1.15

PBDIT/Interest	Times	1.64	2.38
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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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Jan 2021	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*)
	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*)
18 Oct 2019	Cash Credit	Long Term	2.00	ACUITE BB+ Stable (Reaffirmed)
	Bills Discounting	Short Term	9.75	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A4+ (Reaffirmed)
	Proposed Short Term Loan	Short Term	4.00	ACUITE A4+ (Reaffirmed)
	Packing Credit	Short Term	12.00	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Loan	Long Term	4.25	ACUITE BB+ Stable (Reaffirmed)
21 Sep 2018	Cash Credit	Long Term	2.00	ACUITE BB+ Stable (Assigned)
	Packing Credit	Short Term	12.00	ACUITE A4+ (Assigned)
	Bills 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 Loan	Short Term	4.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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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