

Press Release

Viraj Profiles Limited.

January 03, 2020

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Fund Based Long Term –CC	63.50	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)
2	Fund Based Short Term – EPC/PSC	1499.85	IVR A2 (IVR A Two)
3	Non Fund Based Letter of Credit / Bank Guarantee	924.92	
	Total	2488.27	

Details of facilities are in Annexure 1

Rating Rationale

The assigned rating derives strength from company's experienced promoters having expertise in managing operations efficiently, the steadily growing operations, the reputed and diversified clientele and the improving debt protection parameters. The rating however is constrained by low profitability margins and general slowdown in steel demand domestically and globally.

Key Rating Sensitivities

- **Upward Rating Action** - Continued improvement in the debt metrics and improvement in profitability margins.
- **Downward Rating Action** - Material reduction in company exports having the potential to impact the profits and liquidity of the company and would call for a negative rating action

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters with expertise in managing operations

Mr. Neeraj Kochhar has over four decades of experience in stainless steel manufacturing industry. He is accompanied by a team of qualified and experienced Board of Directors and management team under which the company has increased its scale of operations. VPL also encompasses its own Logistics Division with its fleet of trucks, container freight station and container yard close to manufacturing facilities helping the company in becoming self-reliant in terms of transportation and thereby saving on its logistics costs.

Growing operating Income

The company has been able to grow its operating income, particularly from its exports despite of the slowdown in global demand. The total exports in FY19 increased by 25.32% to Rs.5431.82crore from Rs.4334.20crore in FY18. Although the domestic sales has reduced by ~21% in the same period, the company is expecting to continue its exports growth while improving on its domestic sales.

Diversified clientele in terms of geographic location and industries catered to

VPL has a well-diversified clientele with its foreign clients based out of around 90 different countries across the globe. Its products are used in range of industries albeit, construction and automobile industry constitute the major chunk, mitigating the concentration risk for the company.

Moderate and improving debt protection parameters

The overall gearing stood at 1.18x in FY19, improved from 2.49 in FY18 whereas the TOL/TNW ratio stood at 1.87x in FY19 from the earlier 3.00x of FY18. With the business strategy to completely pay off its long term debt, the debt parameters are expected to improve even further in the coming year.

Key Rating Weaknesses

Low profitability parameters

The EBITDA margin for the company has reduced further to 4.91% in FY19 from 7.53% in FY18 due to the increased expense in terms of raw material costs. Although the PAT margin saw an improvement from 0.19% in FY18 to 0.50% in FY19, the margins stood on the lower side.

General slowdown in steel demand in country and globally

A slowdown in India's steel demand resulting from the downturn in automotive and real estate industries has seen several companies cutting back on their production. Rising raw material prices and unavailability of credit are aggravating the problem. The domestic sales for VPL too has reduced from Rs.548.79crore in FY18 to Rs.431.77crore in FY19 owing to the same reason.

While the global economic outlook is highly unpredictable, as per the recent report on Short Range Outlook (SRO) released by the World Steel Association, the global steel demand is expected to increase by 1.7% in FY20 with a significant downside risks if the current level of uncertainty prevails. The current exports order book with VPL stood at Rs.1473crore.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for manufacturing companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

Liquidity position of the company appears to be Adequate with increasing gross cash accruals. The export bank limits are released on order basis and are being utilized at 93% average for the past one year. The average cash & bank balance of over Rs.200crore in the past years provides good comfort especially on the back of repayment of the long term debt in entirety. The liquidity position of the company appears to be adequate to meet all its debt obligations for the next 12 months.

About the company

Viraj Profiles Limited (VPL), incorporated in 1996 is engaged in the business of manufacturing stainless steel engineered products that include flat bars and bright bars, wires, flanges, sections, profiles, fasteners/screws. The company is promoted by Mr. Neeraj Kochhar with an experience of around 40 years in stainless-steel industry. He commissioned the first induction furnace in 1992.

Financials (Standalone)

(Rs.Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	4961.89	5975.33
EBITDA	373.54	293.64
PAT	9.39	38.14
Total Debt	3080.61	1719.38
Tangible Net worth	1239.31	1454.37
EBIDTA Margin (%)	7.53	4.91
PAT Margin (%)	0.19	0.50
Overall Gearing ratio (x)	2.49	1.18

* Classification as per Infomerics' standards

Any other information: N.A

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Long Term (CC)	63.50	IVR BBB + /Stable Outlook	--	--	--
Fund Based Facilities	Short Term (EPC/PSC)	1499.85	IVR A2	--	--	--
Non - Fund Based Facilities	Short Term (LC/BG)	924.92		--	--	--
	Total	2488.27				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Long Term Fund Based (CC)	--	--	--	63.50	IVR BBB+ /Stable Outlook
2	Short Term Fund Based (PC/PSC)	--	--	--	1499.85	IVR A2
3	Short Term Non Fund Based (LC/BG)	--	--	--	924.92	
Total					2488.27	