



Press Release

Vandana Global Limited [VGL]

March 18, 2021

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned*	Rating Action
1	<u>Long Term Fund based facilities</u> Term Loan Working Capital Term Loan Cash Credit Optionally Convertible Cumulative Preference Shares (OCCPS)	137.02 69.65 45.65 97.94	Provisional IVR BBB-/ Stable Outlook [Provisional IVR Triple B Minus with Stable Outlook]	Assigned
2	<u>Short Term Non-Fund based facilities</u> Bank Guarantee Letter of Credit	16.23 61.02	Provisional IVR A3 [Provisional IVR A Three]	Assigned
	Total	427.51		

* The rating is provisional on account of pending finalization of documents regard to changes in asset classification.

Details of facilities are in Annexure 1

Rating Rationale

The rating assigned to the bank facilities of Vandana Global Limited (VGL) derives strength from integrated operations with strong operational history, experienced Management, locational advantage, strong customers and established relationship with reputed suppliers, improved debt coverage parameters, further improvement post restructuring, good order book position and Government initiatives to promote steel segment. The rating is however constrained by decline in revenue & low profitability, albeit improvement post restructuring, working capital intensive operations and competitive nature of industry & volatility in prices.



Press Release

Key Rating Sensitivities:

➤ **Upward Rating Factor:**

- Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics.
- Timely repayment of the debt obligations as per the restructuring plan approved by the Bankers.

➤ **Downward Rating Factor:**

- Any further decline in revenue and/or EBITDA margin leading to decline in debt protection metrics.
- Any delay or default in repayment of the debt obligations as per the restructuring plan approved by the Bankers.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Integrated operations with strong operational history

The company is an integrated player, engaged in manufacturing of Sponge Iron, Billets, TMT Bars, Wire Rods and Ferro Alloys. The company also has its power plant for captive use.

The promoters started the operations in the year 2001 by setting up a 200 TPD Sponge unit. Based on successful operations and the market dynamics, the promoters expanded the capacity and also achieved forward integration. The company was profitable till March 2014 and all project loans taken for earlier expansion projects were serviced timely, no term loans were outstanding as of 31/12/2013. Backed by long term debt free status and buoyant market during the FY 2013, the company planned to expand capacity of Ferro Alloys and forward integration by installing Rolling Mills for TMT/ Wire rods.

Experienced Management

The Management team comprises of Gopal Prasad Agrawal (L.L.B), Vijit Kumar Agrawal (Engineer), Nirmal Kumar Narayan Chaudhary (Chartered Accountant) and others along with the vast pool of experience which they carry. They are further well assisted by a team of experienced professionals.



Press Release

Locational advantage

The steel plant of Vandana Global Ltd. is constructed on industrial land admeasuring 56.804 Acres and situated at Siltara Industrial Area, Phase II, Siltara, Chhattisgarh. The land is on leasehold basis for a period of 99 years from Chhattisgarh State Industrial Development Corporation Limited (CSIDC). The Company therefore enjoys advantage of its plant being located nearby for raw material sourcing and customers.

Strong customers and established relationship with reputed suppliers

The Company, being in the steel industry for past few years, has a strong established relationship with reputed customers & suppliers which proves to be beneficial for them in obtaining the best prices and deals.

Improved debt coverage parameters, further improvement post restructuring

The overall gearing ratio of the Company showed significant improvement from 8.28x as at FY19 to 4.90x as at FY20. The Total outside liabilities to Tangible Net Worth of the Company also improved significantly from 11.65x as at FY19 to 5.72x as at FY20. The interest coverage ratio improved slightly from 1.26x in FY19 to 1.31x in FY20. However, the debt service coverage ratio stood below unity as at FY20. However, all these parameters further improved in 9M-FY21 post restructuring and post infusion of funds by the Promoters.

For the period of 9M-FY21, the Overall Gearing ratio improved to 3.05x owing to timely repayments of debt obligations by the Company, TOL to TNW stood at 3.92x, interest coverage at 2.78x and DSCR stood above unity.

Good order book position

The Company has a good order book position as on date despite challenging market conditions. The orders on hand as on date aggregate to INR 91.46 Crore. These constitute 34% of balance projected sales of FY21.

Government initiatives to promote steel segment

The Government of India has been supporting the steel industry with various policies and schemes and initiatives. The New National Steel Policy (NSP) aims to achieve 300 MnT of steel-making capacity and 160 Kgs of per capita steel consumption 2030-31 at an



Press Release

investment of USD 156.08 bn. On January 10, 2020, the Ministry of Steel announced that it will launch “Purvodaya”, a world class steel hub. The hub aims at an accelerated development programme of 5 Eastern states namely West Bengal, Chhattisgarh, Jharkhand, Odisha and Northern Andhra Pradesh which are extremely rich in coking coal, bauxite and dolomite reserves. It will create world-class logistics and infrastructure. This will also help in achieving India’s steel policy target of 300 MT by 2030.

Key Rating Weaknesses

Decline in revenue & low profitability, albeit improvement post restructuring

Over a period of last 3 years, the Company's total income from operations has been within the range of INR ~700-900 Crore. However, the turnover of the Company has increased by 50% in FY18, 25% in FY19 to INR 913 Crore. Thereafter, revenue dipped to INR 758 Crore in FY20, decline by 17%. The EBITDA margin deteriorated from 9.42% in FY19 to 5.54% in FY20. The reason for decline in revenue & resultant profitability in FY20 was due to change in the product mix.

However, post restructuring and on account of various cost cutting measures, decrease in interest cost, increase in prices of products, all these have resulted in significant improvement in EBITDA & PAT margins and generation of sufficient revenue during 9 months ended December 2020. The EBITDA margin during this period stood high at 13.21%. PAT has improved from loss of INR 5.76 Crore in FY20 to profits of 23.91 Crore in 9M-FY21, with a PAT margin of 4.76%.

Working Capital intensive operations

The operations of the Company are working capital intensive, the utilization of working capital limits remained high at 96.29% during the 9 months ended December 31, 2020.

Competitive nature of industry & volatility in prices

Steel business is characterized by highly competitive, fragmented and cyclical business, having a large number of unorganized players in the industry resulting in intense competition. Also, it is characterized by the volatility in steel prices in the market.



Press Release

Analytical Approach & Applicable Criteria:

- Standalone
- Rating methodology for manufacturing companies
- Default Recognition Policy
- Financial ratios and Interpretation (Non-Financial Sector)

Liquidity: Adequate

The Company has been earning a moderate level of GCA for the last few years and the same is expected to increase further with an increase in scale of operations. This can be substantiated with comfortable & improved levels of gearing, interest and debt service coverage ratios post restructuring process. The company maintains moderate cash and bank balance to meet its liquidity requirements. The utilization of working capital limits remained high at 96.29% during the 9 months ended December 31, 2020.

About the company

Vandana Global Limited (VGL) was incorporated on 12th February 1996. The Company is an integrated player, engaged in the production of Sponge Iron, Mild Steel (MS) Billets, Thermo Mechanically Treated (TMT) Bars, Wire Rod, Ferro Alloys (Silico Manganese) and Power for captive consumption. The steel plant of Vandana Global Ltd. is constructed on industrial land admeasuring 56.804 Acres and situated at Siltara Industrial Area, Phase II, Siltara, Chhattisgarh. The land is on leasehold basis for a period of 99 years from Chhattisgarh State Industrial Development Corporation Limited (CSIDC).



Press Release

Financials [VGL – Standalone]

For the year ended/ As on*	INR in Crore	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	913.29	757.61
EBITDA	86.05	41.99
PAT	23.43	-5.76
Total Debt	368.54	387.86
Tangible Net Worth	48.51	83.09
EBITDA margin (%)	9.42	5.54
PAT margin (%)	2.55	-0.76
Overall Gearing Ratio (x)	8.28	4.90

* Classification as per Infomerics' standards

Details of Non Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating*	Rating assigned in 2019-20	Rating assigned in 2018-19	Rating assigned in 2017-18
Long Term Fund based facilities	Term Loan	137.02	Provisional IVR BBB-/ Stable Outlook	--	--	--
	Working Capital Term Loan (WCTL)	69.65				
	Cash Credit	45.65				
	OCCPS	97.94				
Short Term Non-Fund based facilities	Bank Guarantee	16.23	Provisional IVR A3	--	--	--
	Letter of Credit	61.02				

* The rating is provisional on account of pending finalization of documents regard to changes in asset classification.



Press Release

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.

Name and Contact Details of the Analysts:

Name: Ms. Neha Mehta

Tel: (022) 62396023

Email: nmehta@infomerics.com

Name: Mr. Prakash Kabra

Tel: (022) 62396023

Email: prakash.kabra@infomerics.com

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

Annexure 1: Details of Facilities

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook*
1	<u>Long Term Fund based facilities</u> Term Loan Working Capital Term Loan Cash Credit Optionally Convertible Cumulative Preference Shares (OCCPS)	--	--	Mar-2029 Mar-2029 Jun-2024	137.02 69.65 45.65 97.94	Provisional IVR BBB-/ Stable Outlook
2	<u>Short Term Non-Fund based facilities</u> Bank Guarantee Letter of Credit	--	--	--	16.23 61.02	Provisional IVR A3

* The rating is provisional on account of pending finalization of documents regard to changes in asset classification.