



Press Release

Vishal Nirmiti Private Limited (VNPL)

April 07, 2021

Ratings:

| Instrument / Facility | Amount (Rs. Crore) | Ratings | Rating Action |
|-------------------------------|--|--|------------------|
| Long Term Bank Facilities | 53.62 | IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook) | Assigned |
| Short Term Bank Facilities | 28.33 | IVR A3 (IVR A Three) | Assigned |
| Total | 81.95 (Eighty-One Crore and Ninety-Five Lacs) | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to bank facilities of Vishal Nirmiti Private Limited factors Strong Group and Experienced Management, Robust Business Profile and Moderate Financial Profile. However, rating is constrained owing to Susceptibility of Profitability to Volatility in Raw Material Prices, Working Capital Intensive Operations and High Customer Concentration.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in scale of operations coupled with improvement in profit margins and efficient working capital management on a sustained basis, could be positive for the rating.

Downward Factors

- A decline in the scale of operations or the EBITDA margin and/or delay in collections, leading to deterioration in the credit metrics and/or the liquidity, on a sustained basis, could be negative for the ratings.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths



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Strong Group and Experienced Management

VNPL is part of Gita Group, set up in the early 1960s by Gilada and Tapadiya families. Promoters have more than three decades of experience in the industry, who play active role in the operations of the company. Their extensive experience has enabled the company to establish strong relationships with various counterparties including suppliers and customers and generate repeat orders.

Robust Business Profile

The group has been manufacturing pre-stressed concrete sleepers for the Indian Railways for over 30 years and meets around 15% of the latter's annual sleeper requirement. In addition to large market share there are relatively high entry barriers for new entrants in terms of establishing required performance, achieving various manufacturing approvals including RDA. Further, there is escalation clause wherein substantial increase in raw material prices will be accounted for in forthcoming orders, ensuring robust profitability.

Moderate Financial Profile

VNPL's operating income decreased by 7% in FY20 to INR219Crore from INR237Crore in FY19. This is because railway department had changed design of sleepers and this resulted in halting of manufacturing for around two months during October – November. Company's adjusted gearing remained stable at 1.08x in FY20 as compared to 1.09x in FY19, total debt/EBITDA improved from 3.23x in FY19 to 2.58x in FY20 and interest coverage remained stable at 1.3x. VNPL's revenue grew by 10% of INR179.5Crore in 9MFY21 (9MFY20: INR162Crore), inspite of lockdown in 1QFY21, on account of strong order book. Consequently, Company recorded improved interest coverage of 2.2x in 9MFY21.

Key Rating Weaknesses

Susceptibility of Profitability to Volatility in Raw Material Prices,

Company's main raw material include cement, prices of which have demonstrated a high degree of volatility owing to its commoditised nature. Any adverse fluctuation in the raw material prices affects the sales realisations of the finished products, which inturn affects



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operating profitability. The risk is partly mitigated on account of price escalation clause in contracts, however, operating profitability of the Company remains volatile over FY17-FY20.

Working Capital Intensive Operations

Gross current assets are estimated at 192 days as on March 31, 2020, due to stretched receivables of 76 days and inventory of 117 days. With rising scale of operations, working capital requirement will remain large over the medium term.

High Customer Concentration

More than 70% of the revenue of VNPL, comes from a single customer, Indian Railways, making VNPL's revenue, profitability and consequently its financial profile, highly dependent on Railways' growth plans. Lower-than-anticipated demand from Railways and/or changes in key commercial terms could have a significant impact on VNPL's credit risk profile.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals of over INR 10.0 crore during 2021-22, while its repayment obligations are expected to be less than INR2Crore; which gives adequate comfort for the incremental working capital requirements. However, average working capital utilisation for 12 months ending February 2021 has been 93% and current ratio and quick ratio were recorded at 1.07x and 0.67x respectively.

About the Company

Vishal Nirmiti Private Limited (VNPL) was incorporated in 1994 is involved in manufacturing and supply of Prestress Concrete Sleepers for Indian Railways, civil engineering, irrigation and fabrication contracts and wind power generation. VNPL is part of GITA group of companies promoted by the Gilada & Tapadiya families of Gulbarga.



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Financials (Standalone)*:

(In Crore)

| For the year ended / As on | 31-03-2018 | 31-03-2019 | 31-03-2020 |
|------------------------------------|------------|------------|------------|
| | (Audited) | (Audited) | (Audited) |
| Total Operating Income | 180.16 | 236.61 | 218.63 |
| EBITDA | 18.61 | 16.10 | 22.33 |
| PAT | -0.91 | 0.95 | 3.56 |
| Total Debt | 82.54 | 52.05 | 57.70 |
| Adjusted Tangible Net-Worth | 51.46 | 47.90 | 53.42 |
| Ratios | | | |
| EBITDA Margin (%) | 10.33 | 6.80 | 10.22 |
| PAT Margin (%) | -0.50 | 0.40 | 1.61 |
| Adjusted Overall Gearing Ratio (x) | 1.15 | 1.09 | 1.08 |

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL has continued to keep the rating into issuer non cooperating category vide its press release dated March 15, 2021 due to non-submission of information.

Brickwork Ratings has moved the rating into issuer non cooperating category vide its press release dated July 06, 2020 due to non-submission of information.

Any other information: None

Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2021-22) | | | Rating History for the past 3 years | | |
|---------|---|--------------------------------|--------------------------------|-------------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 | Date(s) & Rating(s) assigned in 2018-19 |
| 1. | Long Term Bank Facilities – Term Loan | Long Term | 3.87 | IVR BBB- / Stable | -- | -- | -- |
| 2. | Long Term Bank Facilities – Cash Credit | Long Term | 49.75 | IVR BBB- / Stable | -- | -- | -- |
| 3. | Short Term Bank Facilities – LC/BG | Short Term | 28.33 | IVR A3 | | | |



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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 Rating Analyst:

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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

| Name of Facility | Size of Facility (Rs. Crore) | Maturity Date | Rating Assigned/ Outlook |
|---|------------------------------|---------------|--------------------------|
| Long Term Facility – Fund Based – Term Loan | 3.87 | June 2025 | IVR BBB- / Stable |



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| | | | |
|---|-------|-----|-------------------|
| Long Term Facility - Fund Based – Cash Credit | 49.75 | N/A | IVR BBB- / Stable |
| Short Term Facility – Non-Fund Based – LC/BG | 28.33 | N/A | IVR A3 |

