



Press Release

Viraj Profiles Limited (VPL)

March 24, 2021

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Short Term Fund Based Bank Facilities	938.86 (Reduced From 1,499.85)	IVR A2 (IVR A Two)	Reaffirmed
Short Term Non-Fund Based Facilities	587.00 (Reduced from 924.92)	IVR A2 (IVR A Two)	Reaffirmed
Long Term /Short Term Bank Facilities	175.00 (12.00) *	IVR BBB+/Stable/ IVR A2 (IVR Triple B Plus with Stable Outlook/ IVR A Two)	Reaffirmed
Total	1700.86 (Reduced from Rs.2,488.27 crore)		

*Cash Credit of Rs.12.00 crore is sublimit.(Reduced from Rs.63.50 crore)

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmed to the bank facility of Viraj Profiles Limited (VPL) continuous to derive comfort from Experienced promoters with expertise in managing operations, Diversified clientele in terms of geographic location and industries catered to and Improved Capital Structure These rating strengths are partially offset due to Operations in export markets vulnerable to changes in regulations, government policies and competition in export markets and Profitability exposed to volatility in raw material prices and foreign exchange fluctuations.

Key Rating Sensitivities:

Upward Factors

- Continued improvement in the debt metrics and improvement in profitability margins.

Downward Factors

- Material reduction in revenue and/or significant decline in profitability affecting liquidity of the company.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long track record of 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 incorporated in 1994 has long standing presence in the industry it has helped the Company establish relationship with customers and suppliers. The consistent drive to build the brand all these years has helped the company to create a unique place in the market.

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.

Improved Capital Structure

The adjusted gearing of the company has improved from 1.29x as on March 31, 2019 to 0.89x as on March 31, 2020 mainly at the back of year-on-year accretion of profit to the net worth and reduction in utilization of working capital loans. The interest coverage improved from 1.65x in FY19 to 2.45x in FY20. Going forward capital structure is expected to remain comfortable.

Key Rating Weaknesses

Operations in export markets vulnerable to changes in regulations, government policies and competition in export markets:



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Indian stainless steel manufacturers and exporters such as VPL face stiff competition from the Chinese, Taiwanese and Korean exporters in key markets including the EU and the USA. In addition, the operations are exposed to cyclicalities faced by the downstream users of VPL's users. The Company derives ~90% of the revenue from the exports. As it is an export player, its operations are exposed to changes in duty structures in the importing countries. Any substantial change in the anti-dumping duties, either in the US or EU, can expose the Company's business risk profile.

Profitability exposed to volatility in raw material prices and foreign exchange fluctuations:

VPL's profitability is exposed to fluctuations in raw material prices, which forms a significant percentage of the average selling price. Nickel forms ~08-12% of the stainless steel in terms of weight, but constitutes up to 60% of the total cost of in terms of value. Thus, the Company's profitability is exposed to fluctuations in nickel prices. Further, as a predominantly export player, VPL's operations remain exposed to fluctuations in foreign currency rates. However, the Company has a pre-defined hedging mechanism to mitigate the risk. Also, its imports form almost 70-80% of the total RMC which allows the Company with the scope of natural hedge.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

Liquidity position of the company appears to be adequate with comfortable gross cash accrual as against its repayment obligation. The company's export finance limits are released on order basis and being utilized at 87% on an average for the past one year ended December, 2020. The average cash & bank balance of over 200 crore in the past 3 years provides good comfort.



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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):

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	5,975.33	5,429.66
EBITDA	293.64	312.13
PAT	38.14	32.14
Total Debt	1,719.38	1,271.15
Tangible Net Worth	1,331.67	1,429.35
EBITDA Margin (%)	4.91	5.75
PAT Margin (%)	0.63	0.59
Overall Gearing Ratio (x)	1.29	0.89

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund Based Facilities	Short Term	938.86 (Reduced from 1,499.85)	IVR A2 (IVR A Two)	IVR A2 (IVR A Two) (January 03, 2020)	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
2.	Fund Based Facilities	Long Term/ Short Term	175.00 (12.00) *	IVR BBB+/Stable/ IVR A2	IVR BBB+/Stable/ IVR A2 (January 03, 2020)	-	-
3.	Non-Fund Based Facilities	Short Term	587.00 (Reduced from 924.92)	IVR A2 (IVR A Two)	IVR A2 (IVR A Two) (January 03, 2020)	-	-

*Cash Credit of Rs.12.00 crore is sublimit.(Reduced from Rs.63.50 crore)

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. 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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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.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Short Term Fund Based Facilities – PC/PCFC	-	-	-	647.28	IVR A2 (IVR A Two)
Long Term/Short Term Fund Based Facilities – PC/PCFC (Cash Credit)	-	-	-	45.00 (4.00)	IVR BBB+/Stable/ IVR A2
Short Term Fund Based Facilities – FBP/FCBD/FBN/FC FBN	-	-	-	291.58	IVR A2 (IVR A Two)
Long Term/Short Term Fund Based Facilities – FBP/FCBD/FBN/FC FBN (Cash Credit)	-	-	-	130.00 (8.00)	IVR BBB+/Stable/ IVR A2
Short Term Non-Fund Based Facilities – FLC/LC	-	-	-	552.00	IVR A2 (IVR A Two)
Short Term Non-Fund Based Facilities – BG	-	-	-	35.00	IVR A2 (IVR A Two)

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lenders-24-03-2021-VPL.pdf>