



Press Release

Viraj Profiles Private Limited (VPPL)

(Erstwhile Viraj Profiles Limited)

March 07, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term/Short term fund-based bank facility – PC/PCFC	641.50* (Enhanced from Rs. 573.00 crore)	IVR A/ Stable/ IVR A1 (IVR A with Stable outlook; IVR A One)	Upgraded	Simple
Short term fund-based bank facility – FBP/FCBD/FBN/FCFBN	603.50 (Enhanced from Rs. 585.00 crore)	IVR A1 (IVR A One)	Upgraded	Simple
Short term Non-fund based bank facility – LC/BGs	278.00 (Enhanced from Rs. 175.00 crore)	IVR A1 (IVR A One)	Upgraded	Simple
Long term / short term fund-based bank facility – Proposed	77.00 (Reduced from Rs. 164.00 crore)	IVR A/ Stable/ IVR A1 (IVR A with Stable outlook; IVR A One)	Upgraded	Simple
Short term Non-fund based bank facility – Proposed	86.00 (Reduced from Rs. 189.00 crore)	IVR A1 (IVR A One)	Upgraded	Simple
Total	1,686.00	(Rupees One Thousand Six Hundred Eighty-Six Crore Only)		

* Cash Credit of Rs.66.90 crore is sublimit to fund-based bank facility.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating upgrade to the bank facilities of Viraj Profiles Private Limited (VPPL) derive comfort from maintenance of strong credit profile, healthy scale of operations, diversified product profile, experienced promoters with expertise in managing operations, and diversified clientele in terms of geographic location & end user industries. However, these rating strengths are partially offset by intense competition in export markets and vulnerability of business to changes in regulations, government policies, profitability susceptible to volatility in raw material prices and cyclical nature of Steel Industry.



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Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue along with improvement in EBITDA margins while maintaining the current credit profile.

Downward Factors

- Any significant decline in revenue and EBITDA margins and/or any major debt fund led capex and/or any deterioration in working capital cycle leading to deterioration in credit profile on a sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Sustained strong credit profile

VPPL's credit profile remained strong with overall gearing was at 0.46x in FY23 (FY22:0.53x); while TOL/TNW also remained strong and at 0.8x in FY23 (FY22:0.97x). Infomerics expects credit profile to remain strong through FY24-FY26 with absence of debt led capex and expected stable EBITDA margins.

Healthy Scale of Operations

Revenue grew by 8.8% on y-o-y basis to Rs. 8,885.38 crore in FY23 led by higher volume and improved realisation which has improved by 10.71% on y-o-y basis in FY23. VPPL has achieved revenue of Rs. 6,661 crore in 9M FY24 which is ~72% of the total projected operating income of FY24.

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 expert management team under which the company has establish strong relationships with customers and suppliers, withstand industry cycles, diversify the product profile, increased its scale of operations and expand capacity.



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Diversified clientele in terms of geographic location and end user industries

VPPL has a well-diversified clientele with its foreign clients based out of around 96 different countries across the globe. Its products are used in a wide range of industries across diversified customers mitigating the concentration risk for the company.

Key Rating Weaknesses

Intense competition and vulnerability to changes in regulations, government policies and competition in export markets:

Indian stainless-steel manufacturers and exporters such as VPPL face stiff competition from the Chinese and Taiwanese exporters in key markets including the EU and the USA. In addition, the operations are exposed to cyclicalities faced by the downstream users of VPPL's users. The Company derives ~85% of the revenue from the exports and hence 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.

Muted EBITDA margins, however expected to improve due to cost savings.

EBITDA margins of VPPL declined to 6.57% in FY23 from 10.71 in FY22 due to one-time payment of export duty imposed by Government of India in May 2022 and subsequently withdrawn in November 2022. However, EBITDA margin improved to 9.12% for 6M FY24. The overall operating margins are further expected to improve from FY25 onwards as the company will start fetching the benefits from a 100 MW solar captive power project for which VPPL has partnered with Avaada Group, for this VPPL has made an Investment commitment to the tune of Rs. 45 crore. The project is expected to get commissioned early FY25 which is expected to result in saving power costs.

Profitability vulnerable to volatility in raw material prices.

VPPL's profitability is exposed to fluctuations in raw material prices, which forms a significant percentage of the average selling price. Nickel forms ~10% to 15% 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.



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Macro-economic factors and Cyclicity in the Steel Industry

The steel industry is cyclical in nature and is closely linked to economic activities. The companies in the Steel industry is susceptible to cyclical in demand and fluctuations in realizations. Further, the company's operations are vulnerable to any adverse change in the global demand-supply dynamics.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on Rating Outlook](#)

[Criteria For Default Recognition](#)

Liquidity – Adequate

The liquidity profile of the company is backed by additional working capital limits provided by its some of existing bankers and working capital limit of Rs. 150 crore was sanctioned by new bank during December 2023. The company is also generating sufficient cashflow from its operations, which stood at Rs. 314.19 crore for FY23. The company has unencumbered Cash & bank balance of Rs.8.00 crore as on February 29, 2024 along with fixed deposit receipts of Rs. 67 crore.

About the Company

Viraj Profiles Private Limited (VPPL), incorporated in 1996 is engaged in the business of manufacturing and exporting of stainless steel engineered long products that include Wire Rods, Wires, Welding Wires, Flanges, Fasteners, Bright bars and Profiles. The company is promoted by Mr. Neeraj Kochhar with an experience of around 40 years in stainless-steel industry. He commissioned his first induction furnace in the year 1992 in the industrial township of Tarapur, where he used to manufacture utensil grade steel for domestic market.



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Financials (Standalone):

For the year ended* As on	INR in Crore	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	8,162.86	8,885.38
EBITDA	873.87	583.64
PAT	465.86	249.89
Total Debt	1,062.87	1,016.93
Tangible Net Worth	1,993.51	2,208.55
EBITDA Margin (%)	10.71	6.57
PAT Margin (%)	5.69	2.80
Overall Gearing Ratio (x)	0.53	0.46

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

Brickwork moved the rating to Issuer Not Cooperating category based on best available information vied PR dated November 09, 2022.

Any other information: Not Applicable



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21 (Dated: March 24, 2021)
1.	Fund-based bank facility – PC/PCFC	Long term/Short term	641.50* (Enhanced from Rs. 573.00 crore)	IVR A/ Stable/ IVR A1 (IVR A with Stable outlook; IVR A One)	IVR A-/ Stable/ IVR A2+ (IVR A Minus with Stable outlook; IVR A Two Plus)	IVR BBB+/ Stable/ IVR A2 (Dated: December 27, 2021) IVR A-/CWDI/ IVR A2+ (Dated: January 10, 2022)	IVR BBB+/ Stable/ IVR A2
2.	Fund-based bank facility – FBP/FCBD/ FBN/FCFBN	Short term	603.50 (Enhanced from Rs. 585.00 crore)	IVR A1 (IVR A One)	IVR A2+ (IVR A Two Plus)	IVR A2 (Dated: December 27, 2021) IVR A2+ (Dated: January 10, 2022)	IVR A2
3.	Non-fund based bank facility – LC/BGs	Short term	278.00 (Enhanced from Rs. 175.00 crore)	IVR A1 (IVR A One)	IVR A2+ (IVR A Two Plus)	IVR A2 (Dated: December 27, 2021) IVR A2+ (Dated: January 10, 2022)	IVR BBB+/ Stable/ IVR A2
4.	Fund-based bank facility – Proposed	Long term / Short term	77.00 (Reduced from Rs. 164.00 crore)	IVR A/ Stable/ IVR A1 (IVR A with Stable outlook;	IVR A-/ Stable (IVR A Minus with Stable outlook)	IVR BBB+/ Stable (Dated: December 27, 2021) IVR A-/CWDI	IVR A2



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				IVR A One)		(Dated: January 10, 2022)	
5.	Non-fund based bank facility – Proposed	Short term	86.00 (Reduced from Rs. 189.00 crore)	IVR A1 (IVR A One)	IVR A2+ (IVR A Two Plus)	IVR A2 (Dated: December 27, 2021) IVR A2+ Dated: January 10, 2022)	IVR A2

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long term/Short term fund-based bank facility – PC/PCFC	-	-	-	641.50	IVR A/ Stable/ IVR A1 (IVR A with Stable outlook; IVR A One)
Short term fund-based bank facility – FBP/FCBD/FBN/FC FBN	-	-	-	603.50	IVR A1 (IVR A One)
Short term Non-fund based bank facility – LC/BGs	-	-	-	278.00	IVR A1 (IVR A One)
Long term / Short term fund-based bank facility – Proposed	-	-	-	77.00	IVR A/ Stable/ IVR A1 (IVR A with Stable outlook; IVR A One)
Short term Non-fund based bank facility – Proposed	-	-	-	86.00	IVR A1 (IVR A One)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Len-Viraj-Profiles-7mar24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.