Vaswani Industries Limited

July 14, 2025

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	168.75	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	Rating Assigned	Simple
Short Term Bank Facilities	65.00	IVR A3+ (IVR A Three Plus)	-	Rating Assigned	Simple
Total	**233.75 (Rupees Two Hundred Thirty-Three Crore and Seventy-Five Lakhs Only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Vaswani Industries Limited (VIL) derives comfort from its experienced promoter, locational advantage and stable business performance of the company over the past three fiscal years. The ratings also consider the company's satisfactory financial risk profile marked by satisfactory capital structure and moderate debt protection metrics and recently concluded capex to drive the profitability in the near term. However, these rating strengths are partially offset by susceptibility of profitability to volatility in raw material prices, exposure to intense competition and exposure to cyclicality in the steel industry and exposure to project stabilization risk.

The stable outlook on the rating reflects that the company will maintain a stable business performance in the near to medium term on the back of investments in backward integration initiatives and supported by extensive experience of its promoters in the iron and steel industry.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.

- Improvement in the capital structure with improvement in overall gearing ratio on a sustained basis.
- Improvement in working capital management leading to improvement in operating cycle and liquidity.

Downward Factors

- Decline in revenue and profitability leading to deterioration in gross cash accruals and debt protection metrics on a sustained basis.
- Withdrawal of subordinated unsecured loans and/or any unplanned capex leading to moderation in the capital structure with moderation in overall gearing ratio to above 2x.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

  VIL is a part of Vaswani Group which is promoted by Mr. Ravi Vaswani and Mr. Yashwant Vaswani. The group has vast experience of over three decades in the iron and steel industry. Also being part of an established group also provides the adequate financial flexibility required in the scale up of operations and subsequent stabilization. Further, the promoters have continuously supported the business operations by infusing capital and unsecured loans at regular intervals. The promoters have infused fresh equity capital of Rs.7.00 crore in FY2025 on preferential basis to the promoter's category only. Further, the promoters have also infused subordinated unsecured loans in the company to the tune of Rs.9.89 crore (outstanding as on March 31, 2025).

- **Locational advantage**

  The manufacturing facility of VIL is strategically located at Siltara, Raipur, Chhattisgarh, which has emerged as a major industrial hub. The company has ease of access to raw material as the plant site is well connected by road and rail to all major big cities and towns. This ensures timely availability of raw materials which helps in improving efficiency in production.

- **Stable business performance**

  The total operating income (TOI) of the company witnessed stable growth over the past three fiscals from Rs.391.85 crore in FY23(A) [FY refers to period from April 1 to March 31] to ~Rs.412.40 crore in FY25(A) driven by efficient capacity utilization and improvement in sales realisation aided by supportive steel demand scenario. With increase in TOI, EBITDA increased from Rs.22.13 crore in FY24 to Rs. 27.49 crore in FY25 resulting in improvement in EBITDA margin from 5.68% in FY24 to 6.67% in FY25. However, the PAT margin moderated from 2.31% in FY24 to 2.08% in FY25. This decline is attributable to an exceptional loss of Rs.3.53 crore, which includes the write-off of MAT credit entitlement and a loss on the buyback of shares held as investments. Excluding this one-off item, the underlying profitability remains sound. Moreover, the net cash accruals of the company stood satisfactory at ~Rs.18.88 crore in FY25.

- **Satisfactory financial risk profile marked by satisfactory capital structure and moderate debt protection metrics**

  The company has a healthy net worth base (ATNW) of Rs.131.76 crore as on March 31, 2025, including the subordinated unsecured loans to the tune of Rs.9.89 crore. The promoters have infused fresh equity capital of Rs.7.00 crore in FY2025 to support the business operations. However, the capital structure of the company remained moderate marked by long term debt equity ratio and overall gearing ratio at 0.79x and 1.11x respectively as on March 31, 2025 (0.06x and 0.20x respectively as on March 31, 2024). The moderation in capital structure is due to increase in term loans for enhancing the existing manufacturing capacity for billet and installation of 30MW solar power plant project. However, the total indebtedness as reflected by TOL/ATNW (including Quasi Equity) stood comfortable at 1.63x as on March 31, 2025. The debt coverage indicators stood comfortable with ICR of 3.44x in FY2025 (2.87x in FY2024). However, with increase in overall debt levels, Total debt/EBITDA and Total debt to NCA moderated 5.32x and 7.75x respectively as on March 31, 2025 (1.05x and 1.86x respectively as on March 31, 2024).

- **Recently concluded capex to drive the profitability in the near term**

  The company has enhanced its billet capacity to 150000MT by adding additional billet manufacturing capacity of 84000 MT in June 2025. The enhanced capacity will increase the revenue going forward. Besides, the company has recently concluded commissioning of 30MW Solar Power Plant (16.25 MW has been commissioned and started operations in December 2024 and 13.75 MW was completed by June 2025 and operations to be start by July 2025). The solar power plant is expected to start delivering cost-saving benefits from July 2025 (i.e., for nine months in FY26) primarily by reducing power costs.

Key Rating Weaknesses

- **Susceptibility of profitability to volatility in raw material prices**

Since the raw material is the major cost driver (constituting about 70-80% of total revenue) and with raw material prices being volatile in nature, the profit margins of the company remain susceptible to fluctuation in raw material prices (though the prices of finished goods move in tandem with raw material prices, there is a time lag). Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.

- **Exposure to intense competition**

  The steel manufacturing businesses is characterised by intense competition across the value chain due to low product differentiation, and consequent intense competition, which limits the pricing flexibility of the players, including VIL.

- **Exposure to cyclicality in the steel industry**

  The domestic steel industry is highly cyclical in nature and has witnessed prolonged periods of downturn due to excess capacity leading to a downtrend in the prices. Further, the company's operations are vulnerable to any adverse change in the global demand-supply dynamics.

- **Project risk**

  The company has recently completed billet its capacity expansion project in June 2025. Though there is no project execution risk, stabilisation risk exists.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity profile of the company is expected to remain adequate marked by sufficient cash accruals vis-à-vis its debt repayment obligation in the range of Rs.5.16 crore to Rs.26.63 crore in FY 26- FY 28. Moreover, the company has sufficient liquidity buffer as the average utilisation of fund-based limits of the company remained at ~41% through the last 12 months ended March 31, 2025. The overall gearing remained comfortable at 1.11x as on March 31, 2025, indicating a satisfactory gearing headroom. The current ratio stood comfortable at 1.53x as on March 31, 2025.

About the Company

Incorporated in 2003, Vaswani Industries Ltd (VIL) is a Chhattisgarh-based company operating in the iron and steel industry. The company is primarily engaged in the manufacturing of high-quality mild steel (MS) billets and sponge iron. Strategically located in the mineral-rich state of Chhattisgarh, VIL benefits from proximity to key raw materials, facilitating efficient sourcing and streamlined production. The company currently has an installed manufacturing capacity of 90,000 MTPA for sponge iron and 66,000 MTPA for MS billets. Since 2009, it has also operated an 11.5 MW thermal power plant for captive consumption. Backed by promoters with over three decades of experience in the iron and steel sector, the company has built strong relationships with both customers and suppliers. The company is listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2024	31-03-2025
	Audited	Audited
Total Operating Income	389.34	412.40
EBITDA	22.13	27.49
PAT	9.03	8.61
Total Debt	23.15	146.36
Tangible Net Worth	113.99	129.83
Adjusted Tangible Net Worth	116.48	131.76
EBITDA Margin (%)	5.68	6.67
PAT Margin (%)	2.31	2.08
Overall Gearing Ratio (x)	0.20	1.11
Interest Coverage (x)	2.87	3.44

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2025-2026)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
1.	Term Loan	Long Term	125.20	IVR BBB; Stable	-	-	-

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2025-2026)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
2.	GECL	Long Term	3.55	IVR BBB; Stable	-	-	-
3.	Cash Credit	Long Term	34.00	IVR BBB; Stable	-	-	-
4.	WCDL	Long Term	6.00	IVR BBB; Stable	-	-	-
5.	Bank Guarantee	Short Term	20.00	IVR A3+	-	-	-
6.	Letter of Credit	Short Term	45.00	IVR A3+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly known as Infomerics Valuation and Rating Pvt Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	March 2032	40.00	IVR BBB; Stable
Term Loan	-	-	-	Dec 2031	85.20	IVR BBB; Stable
GECL	-	-	-	May 2026	2.40	IVR BBB; Stable
GECL	-	-	-	Jan 2028	1.15	IVR BBB; Stable
Cash Credit	-	-	-	-	34.00	IVR BBB; Stable
WCDL	-	-	-	-	6.00	IVR BBB; Stable
Bank Guarantee	-	-	-	-	20.00	IVR A3+
Letter of Credit	-	-	-	-	45.00	IVR A3+

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/Len-Vaswani-Industries-14july25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.