



## Press Release

### Viraj Profiles Limited (VPL)

**January 10, 2022**

#### Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Short term fund-based Bank Facilities	1,163* (Enhanced from 938.86)	IVR A2+/ Credit watch with developing implication (IVR A Two Plus; Credit watch with developing implication)	IVR A2 (IVR A Two)	Revised; Rating placed under credit watch
Short term non-fund based Bank Facilities	316.86** (Reduced from 587.00)	IVR A2+/ Credit watch with developing implication (IVR A Two Plus; Credit watch with developing implication)	IVR A2 (IVR A Two)	Revised; Rating placed under credit watch
Long Term/Short Term Bank Facilities	221.00** (Enhanced from 175.00)	IVR A-/ Credit watch with developing implication/ IVR A2+ (IVR A Minus Credit watch with developing implication/ IVR A Two Plus)	IVR BBB+/ Positive/ IVR A2 (IVR Triple B Plus with Positive Outlook/ IVR A Two)	Revised; Rating placed under credit watch
<b>Total</b>	<b>1700.86</b>			

*\*Includes proposed short-term fund-based facility of Rs.309 crore.*

*\*\*Includes proposed short-term non fund-based facility of Rs.154.86 crore.*

*\*\*\* Includes sublimit of Cash Credit.*

#### **Details of facilities are in Annexure 1**

#### **Detailed Rationale**

The rating upgrade of Viraj Profiles Limited (VPL) considers the significant improvement in profitability margins in FY21 & healthy performance in 8MFY22. The rating upgrade also factors in improvement financial risk profile of the company. Further rating continues to derive comfort from Experienced promoters with expertise in managing operations, Diversified clientele in terms of geographic location and end user industries, Improved Capital Structure



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and Improved Profitability. However, these rating strengths remain constrained by Operations in export markets vulnerable to changes in regulations, government policies and competition in export markets, Profitability exposed to volatility in raw material prices and foreign exchange fluctuation risk.

VPL's rating is placed under credit watch to monitor the expected revenue as well as profitability growth in projected period and it also factors in cyclical nature of steel industry and its impact on the financial risk profile of the company.

### **Key Rating Sensitivities:**

#### **Upward Factor:**

- Substantial improvement in revenue and/or profitability margins leading to sustained improvement in debt coverage indicators

#### **Downward Factor:**

- Any volatility in input prices and foreign exchange fluctuation risk leading to deterioration in revenue and/or profitability margin.

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### **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 experienced Board of Directors and management team under which the company has increased its scale of operations. Longstanding presence of the promoters and directors in the industry has helped the company to establish strong relationships with customers and suppliers, withstand industry cycles, diversify the product profile, and expand capacity.

##### **Diversified clientele in terms of geographic location and end user industries**

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



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automobile industry constitute the major chunk, mitigating the concentration risk for the company.

### **Improved Capital Structure**

The overall gearing of the company has improved from 0.87x as on March 31, 2020 to 0.71x as on March 31, 2021 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 2.45x in FY20 to 5.21x in FY21. Further TOL/TNW stood healthy at 1.10x in FY21 as against 1.53x in FY20. Going forward capital structure is expected to remain comfortable.

### **Improved Profitability**

The profitability of the company has improved significantly in FY21. The EBITDA margin increased to 9.30% in FY21 as against 5.75% in FY20 on account of certain cost savings measures taken by the company. Further PAT margin has improved to 3.57% in FY21 as against 0.59% in FY20.

### **Key Rating Weaknesses**

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

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 cyclicity 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**

VPL's profitability is exposed to fluctuations in raw material prices, which forms a significant percentage of the average selling price. Nickel forms ~10-15% 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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### **Foreign exchange fluctuation risk**

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**

The company is earning comfortable level of GCA and the same is expected to increase with increase in scale of operations and level of margin. This indicates adequate degree of liquidity of the company in meeting its obligations. The average working capital utilisation for the past twelve months ended September 2021 remained at ~89% indicating moderate liquidity buffer. However, company has adequate cash & bank balance of Rs.106.09 crore, further company has liquid investments worth Rs.62.41 crore as on March 31, 2021.

### **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.



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### Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	5429.66	5376.62
EBITDA	312.13	499.89
PAT	32.14	192.65
Total Debt	1271.15	1194.21
Tangible Net Worth	1429.35	1688.48
EBITDA Margin (%)	5.75	9.30
PAT Margin (%)	0.59	3.57
Overall Gearing Ratio (x)	0.89	0.71

\* 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:

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 2021-22 (Dated: December 27, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Dated: March 24, 2021)	Date(s) & Rating(s) assigned in 2019-20 (Dated: January 03, 2020)
1.	Fund Based Facilities	Short Term	1163.00	IVR A2+	IVR A2	IVR A2	IVR A2
2.	Non-fund-based Facilities	Short Term	316.86	IVR A2+	IVR A2	IVR A2	IVR A2
3.	Fund Based Facilities	Long Term/ Short Term	221.00	IVR A-/ Credit watch with developing implication/ IVR A2+	IVR BBB+/ Positive/ IVR A2	IVR BBB+/ Stable/ IVR A2	IVR BBB+/ Stable/ IVR A2



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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	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Short Term Fund Based Facilities – PC/PCFC	-	-	-	493.00	IVR A2+
Short Term Fund Based Facilities – PC/PCFC (Proposed)	-	-	-	123.00	IVR A2+



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Long Term/Short Term Fund Based Facilities – PC/PCFC (Cash Credit)	-	-	-	45.00 (4.00)	IVR A-/ Credit watch with developing implication/ IVR A2+
Short Term Fund Based Facilities – FBP/FCBD/FBN/FC FBN	-	-	-	361.00	IVR A2+
Short Term Fund Based Facilities – FBP/FCBD/FBN/FC FBN (Proposed)	-	-	-	186.00	IVR A2+
Long Term/ Short Term Fund Based Facilities – FBP/FCBD/FBN/FC FBN (Cash Credit)	-	-	-	176.00 (8.00)	IVR A-/ Credit watch with developing implication/ IVR A2+
Short Term Non-Fund Based Facilities – FLC/LC/BG	-	-	-	316.86	IVR A2+

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Viraj-profiles-lenders-jan22.pdf>

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

**Annexure 5: Complexity level of the rated Instruments/Facilities**

Sr No.	Instrument	Complexity Indicator
1.	PC/PCFC	Simple
2.	FBP/FCBD/FBN/FCFBN	Simple
3.	Letter of Credit	Simple
4.	Bank Guarantee	Simple

**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](http://www.infomerics.com).