

Press Release**Vandana Ispat Limited****April 9, 2019****Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Long Term Fund Based Limits	40.00	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)
2.	Short Term Non-Fund Based Facilities	2.48	IVR A3+ (IVR A Three Plus)

Details of Facilities are in Annexure 1**Detailed Rationale**

The rating derives strength from experienced promoter, healthy growth in operation, comfortable gearing and debt coverage indicators, locational advantage of the unit, support from group companies and efficient working capital management. The rating however is constrained by volatility in the prices of raw materials and finished goods, moderate profitability margins, substantial investment in group companies, high competition and cyclicity in the steel industry. Scale of operation and profitability, capital structure and working capital management are the key rating sensitivities.

List of key rating drivers with detailed description**Key Rating Strengths****Experienced promoter**

Vandana Ispat Limited was promoted by Mr. Subhash Chand Agarwal in 1995. He is a first generation entrepreneur and has an experience of over three decades in the steel industry. He is ably supported by other board members and highly experienced key managerial personnel of the company.

Healthy growth in operation

After witnessing a marginal fall in turnover in FY17, the scale of operation of the company increased by 34.60% in FY18 due to increase in capacity utilisation and higher sales realisation for its products.

Comfortable gearing and debt coverage indicators

Overall gearing of the company has been comfortable as on the last three account closing days in the absence of any long term debt. Other debt coverage parameters have improved and were, by and large, comfortable. The interest coverage ratio stood at 2.06x in FY18.

Locational advantage

The manufacturing facility of the company is strategically located in Urla industrial area, situated close to Raipur (capital of Chhattisgarh). The company can leverage its locational advantage to sell its products across the country.

Support from group companies

Various companies of Vandana group are engaged in manufacturing of structural steel products. Also, being present in the same line of business provides synergy to the group companies, both in day-to-day operation as well as financial support.

Efficient working capital management

The working capital cycle of the company was comfortable during the last three years. The debtor collection days has generally been low over the last three years. The operating cycle of the company improved in FY18 on account of decrease in raw material and finished goods holding period.

Key Rating Weakness

Volatility in the prices of raw materials and finished goods

The price of steel has seen a lot of volatility over the last three years. The costs of raw materials and finished goods are volatile in nature and hence, profitability of the company is susceptible to fluctuation in the prices of its raw material prices and/or finished goods.

Moderate profitability margins

The EBITDA margin of the company has been moderate during the last three years. The PBT margin improved from in FY18 primarily on account of economies of scale coupled with control over interest cost. The PAT margin improved significantly in FY18 on account of improvement in PBT margin coupled with increase in deferred tax asset in FY18.

Substantial investment in group companies

The company has made substantial investments in its various group companies. VIL is not receiving any revenue from these investments. These investments comprise about 44.79% of the net worth of the company as on March 31, 2018.

High competition and cyclicity in the steel industry

The group operates in Chhattisgarh which is well known for steel & ancillary segment. The company faces stiff competition from both established players in the region as well as from unorganised players due to low level of product differentiation. Also, the steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downturn in the prices. But the current outlook for the steel industry appears to be good with robust demand in the domestic market.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The company is earning a moderate level of gross cash accrual and the same is expected to increase gradually with increase in scale of operation. However, the company has no long term debt for scheduled repayment. The projected DSCR and ICR levels are comfortable indicating a moderate degree of liquidity support to the company in meeting its interest obligations.

About the Company

Vandana Ispat Limited (VIL) is part of the Vandana group, founded by Mr. Subhash Agarwal in 1984. He is a first generation entrepreneur and started the first company of the group, Vandana Rolling Mills Limited, in 1984 in Urla industrial region near Raipur. Then in 1995, he incorporated VIL for manufacturing M.S ingots and M.S structural products. The wide range of products manufactured by the company include M.S beams, channels, and angles among other structural products. The manufacturing facility of the company is ISO 9001:2008 certified. The facility is strategically located in central India, near Raipur. The other two

companies of the group i.e. Vandana Rolling Mill Limited and Shivali Udyog (India) Limited are also in allied industries and thus provide synergies to the overall operations at the group level.

Financials (Standalone)

(Rs. crores)

For the year ended* / As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	191.51	257.78
EBITDA	8.08	9.01
PAT	1.24	6.08
Total Debt	46.42	39.07
Tangible Networth	87.88	90.01
EBITDA Margin (%)	4.22	3.49
PAT Margin (%)	0.65	2.36
Overall Gearing Ratio (x)	0.53	0.43

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL which has earlier rated the company, has classified it as “Issuer Not Cooperating” category due to non-submission of information as per Press Release dated January 18, 2019.

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Facilities	Long Term	40.00	IVR BBB /Stable Outlook	--	--	--
2.	Non-Fund Based Facilities	Short Term	2.48	IVR A3+	--	--	--

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. 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
Long Term Fund Based Limits – Cash Credit	--	--	--	40.00	IVR BBB /Stable Outlook
Short Term Non-Fund Based Facilities – LC/BG	--	--	--	2.48	IVR A3+