

**June 25, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	24.60	SMERA BB-/Stable (Assigned)
Term Loans	11.07	SMERA BB-/Stable (Assigned)
Letter of Credit	55.00	SMERA A4 (Assigned)
Proposed Fund based Facilities	0.33	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Viki Industries Private Limited (VIPL). The outlook is '**Stable**'. The ratings draw comfort from VIPL's established brand image, reputed clientele, moderate revenue growth and efficient working capital management. However, the ratings are constrained by the company's high gearing, low coverage, declining profitability and exposure to forex fluctuation risk.

VIPL, incorporated in 1990, is a Chennai-based company engaged in the manufacture of construction grade steel bars and rods under the 'isteel' brand name. The company caters to reputed customers such as Arihant Foundations and Housing Limited, Larsen & Toubro, and UltraTech Cement Limited to name a few.

VIPL's revenues have grown at a CAGR (compound annual growth rate) of ~ 14 per cent from FY2009-10 to FY2013-14. The company also derives benefits from its effective working capital management marked by early recovery of debtors (40 days in FY2013-14) and moderate utilization of working capital limits (~85 per cent during six months ended March 2015).

VIPL's gearing remains high 2.25 times as on March 2014. The interest coverage ratio has also remained low at 1.51 times in FY2014. The company's operating margins have declined from 7.81 per cent in FY2013 to 4.75 per cent in FY2014. Further the company has also incurred net loss to the tune of Rs.0.32 crore due to forex exchange fluctuation of Rs.2.93 crore in FY2013-14.

### **Outlook: Stable**

SMERA believes that VIPL's outlook would remain stable on account of the company's established brand recognition as "I steel". The outlook maybe revised to 'Positive' if the company is able to improve its scale of operations while maintaining healthy profitability. Conversely, the outlook may be revised to 'Negative' if the company's profitability declines further and if the financial risk profile of the company further deteriorates.

### About the Company

Incorporated in 1990, Viki Industries Private Limited is a Chennai-based company engaged in the manufacture and trading of TMT bars and rings. The company has factories in Tamil Nadu and Andhra Pradesh with installed capacity of 60,000 mt each and has also set up trading units in Coimbatore, Nellore, Singarayakonda and Puducherry.

VIPL reported net loss of Rs.0.32 crore on operating income of Rs.248.03 crore for FY2013-14 as compared with profit after tax (PAT) of Rs.3.07 crore on operating income of Rs.213.11 crore for FY2012-13. The company's net worth stood at Rs.26.43 crore as on March 31, 2014 as compared with Rs.28.80 crore a year earlier.

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