

November 04, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.40	SMERA BB+/Stable (Assigned)
Cash Credit	11.80	SMERA BB+/Stable (Assigned)
Bank Guarantee	1.00	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and a short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the above mentioned bank facilities of Vikram Private Limited (VPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management and healthy financial risk profile. The rating also draws support from the modest scale of operations. However, the ratings are constrained by the company's working capital intense nature of business, susceptibility of the profitability to volatility in raw material prices and exposure to intense market competition in the steel industry. While arriving at the ratings, SMERA has treated the unsecured loans from group companies to the tune of Rs. 14.46 crores as quasi equity as at least this amount would be retained in the business over the medium term.

Outlook: Stable

SMERA believes VPL will maintain a stable business risk profile in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improving its working capital management significantly. Conversely, the outlook may be revised to 'Negative' if case the company registers lower-than-expected growth in revenues and profitability or if the company undertakes significant debt funded capex.

About the Company

VPL, incorporated in 2000, is a Kolkata-based company that manufactures sponge iron and trades in steel products. The company has manufacturing units in Rourkela, Odisha with capacities of 60,000 metric tonnes per annum (MTPA). The current management took over the operations of the company in 2012 and the overall operations are managed by Mr. R.K Jena one of the main shareholder of the company having more than two decades of experience in the iron and steel industry.

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VPL reported profit after tax (PAT) of Rs.0.26 crore on operating income of Rs.231.64 crore for FY2013-14, as compared with PAT of Rs.0.34 crore on operating income of Rs.99.51 crore in FY2012-13.

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