

Press Release

Viraj Profiles Limited

July 14, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 2791.29 Cr.
Long Term Rating	ACUITE BB+ (Downgraded from ACUITE BBB-/Stable and Withdrawn)
Short Term Rating	ACUITE A4+ (Downgraded from ACUITE A3 and Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded and withdrawn the long-term rating of '**ACUITE BB+** (read as ACUITE double B plus) from '**ACUITE BBB-** (read as ACUITE triple B minus) and short-term rating of '**ACUITE A4+** (read as ACUITE A four plus) from '**ACUITE A3**' (read as ACUITE A three) on the Rs.2791.29 crore bank facilities of Viraj Profiles Limited (VPL). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

Acuite observes sharp variations in FY 2019 provisional financials and audited financials shared by the company. There is a steep decline in profitability in audited financials for FY2019 as compared to FY2019 provisional financials. The company has reported EBITDA of Rs. 452.83 crore for FY2019 (Actuals) as compared to Rs.514.51 crore for FY2019 (Provisional). Also, the PAT stood at Rs. 85.73 crore for FY2019 (Actuals) as compared to Rs.38.14 crore for FY2019 (Provisional).

VPL, incorporated in 1996 is engaged in the manufacturing of stainless steel billets, wire rods, profiles, and sections like angles, flat bars, channels, wires, fasteners, and bright bars etc. Its products have applications across diverse industries including petrochemicals, oil pipelines, ships, food processing, structural designs, high utensils, springs, cables, pressure vessels, liquid storage terminals, liquid cargo ships & surgical instruments. The company has installed a melting capacity of 5, 28,000 Metric Tonnes (MT) and processing capacity of 6, 35,900 MT.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of VPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record & experienced promoters**

The company is headed by Mr. Neeraj Kochhar having more than two decades of experience in manufacturing of stainless steel long products. The promoter had started Stainless Steel Melting (Billets) unit in the name of M/s. Viraj Alloys Ltd (VAL) in the year 1992. Then in 1995 they started Viraj Impexpo Ltd for manufacturing Bright Bars (VIEL) & Viraj Forgings Ltd for manufacturing Flanges (VFL) then in the year 2000, they started Viraj Profiles Ltd for manufacturing Sections and Profiles, in 2001 they started VSL Wires Ltd. for wires manufacturing. In 2005 VAL & VFL merged into VAL. In November 2006 under slump sale mechanism industrial undertakings of VAL, VIEL & VSL transferred to VPL. From April, 2007 VAL, VIEL and VSL merged into VPL.

Further, the day-to-day operations of the company are looked after by a team of qualified and experienced professionals. The long-standing presence of the promoters has enabled the company to forge healthy relationships with customers and suppliers. The company derives more than 90 per cent of its revenues from exports. It has a wide clientele base across European countries. The

products manufactured by VPL finds application in industries such as petrochemicals, oil pipelines, ships, food processing, structural designs, high utensils, springs, cables, pressure vessels, liquid storage terminals, liquid cargo ships & surgical instruments.

Acuité believes that VPL will continue to enjoy the benefit of experienced management and established clientele base over the near to medium term.

- **Integrated nature of operations**

VPL has a fully integrated production facility across the value chain - for manufacturing from melting shop to engineering products and in house logistic facilities. The company has furnace melting division for MS Billets, section rolling mill for production of various fasteners, flanges, etc. The plant is located at Tarapur MIDC, Dist. - Palghar Maharashtra.

The plant has installed melting capacity of 5, 28,000 Metric Tonnes (MT) and processing capacity of 6, 35,900 MT. The processing (value addition) is done at the first level, second level and third level downstream units. In first level downstream units, mainly wire rods are produced. Further, in second and third level downstream units, other value added products are manufactured. Major part of the production at first level downstream units is transferred for value addition to third level downstream for production of engineering products after the second level downstream process.

The integrated nature of operations result in economies of scale and maintaining cost competitiveness which is critical for profitability in the highly competitive iron and steel industry.

Weaknesses

- **Protectionist policies in major markets**

VPL manufactures wide range of products including stainless steel billets, wire rods, profiles, and sections like angles, flat bars, channels, wires, fasteners, and bright bars etc. Its products have applications across diverse industries including petrochemicals, oil pipelines, ships, food processing, structural designs, high utensils, springs, cables, pressure vessels, liquid storage terminals, liquid cargo ships & surgical instruments. VPL generates ~92.00 per cent of its revenues from export sales. Initially, the company was exporting to the US market. However, after US restrictive measures on VPL, it focused on Europe.

European Union (EU) has also proposed the policy to support its domestic sales. VPL is currently exporting to EU; however, excessive pressures from the domestic industry of the key markets could impact the operating performance of the company. Also, US sanctions on certain other countries like Iran and policies towards China could result in the increased focus of these countries to Europe. This, in turn, will result in high competition in the industry for players like VPL, thereby affecting margins and cash flows.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity Position: Adequate

VPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.186.38 crore (Provisional) for FY2020, while its maturing debt obligation was Rs. 92.88 crore over the same period. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 171 (Provisional) in FY 2020. The company maintains unencumbered cash and bank balances of Rs.3.84 crore (Provisional) as on March 31, 2020. The current ratio of the company stand moderate at 1.24 times as on March 31, 2020. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	5504.90	5976.71
PAT	Rs. Cr.	58.07	38.14
PAT Margin	(%)	1.05	0.64
Total Debt/Tangible Net Worth	Times	0.85	1.15
PBDIT/Interest	Times	2.58	2.01

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition -<https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities -<https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Jun-2019	Term loans	Long Term	22.84	ACUITE BBB-/Stable (Assigned)
	Term loans	Long Term	3.50	ACUITE BBB-/Stable (Assigned)
	Term loans	Long Term	26.68	ACUITE BBB-/Stable (Assigned)
	PC/PCFC	Short Term	133.00	ACUITE A3 (Assigned)
	FUBD/FDBP/REBA	Short Term	158.00	ACUITE A3 (Assigned)
	PC/PCFC	Short Term	158.00	ACUITE A3 (Assigned)
	FDDBP/FDUBD/RDDBP /RDUBD	Short Term	176.00	ACUITE A3 (Assigned)
	EPC/PCFC	Short Term	116.00	ACUITE A3 (Assigned)
	EBP/EBD	Short Term	208.00	ACUITE A3 (Assigned)
	EBD/FBD/EBR	Short Term	90.00	ACUITE A3 (Assigned)
	EPC/PCFC	Short Term	67.00	ACUITE A3 (Assigned)
	FBP/FCBD/FBN/FCBN	Short Term	83.00	ACUITE A3 (Assigned)
	PC/PCFC	Short Term	52.00	ACUITE A3 (Assigned)
	FDB/FBE/BRD	Short Term	80.35	ACUITE A3 (Assigned)
	PC/PCFC	Short Term	38.00	ACUITE A3 (Assigned)
	FOBP/FOUBP/FOBNLC /FOUBNLC/FOBD/FOU	Short Term	68.00	ACUITE A3 (Assigned)

BD				
PC/PCFC	Short Term	45.00	ACUITE A3 (Assigned)	
FDBP/FUDBP/BPFC/BD FC	Short Term	65.00	ACUITE A3 (Assigned)	
PC/PCFC	Short Term	20.00	ACUITE A3 (Assigned)	
FBP/FBP(FC)	Short Term	35.00	ACUITE A3 (Assigned)	
PC/PCFC	Short Term	25.00	ACUITE A3 (Assigned)	
FDBN/FDBP/FDBD/PSC FC/DPB/RACB	Short Term	36.00	ACUITE A3 (Assigned)	
Letter of Credit (Inland/Foreign)	Short Term	153.00	ACUITE A3 (Assigned)	
Bank Guarantee	Short Term	61.00	ACUITE A3 (Assigned)	
Letter of Credit (Inland/Foreign)	Short Term	194.00	ACUITE A3 (Assigned)	
Letter of Credit (Inland/Foreign)	Short Term	181.64	ACUITE A3 (Assigned)	
Letter of Credit (Inland/Foreign)	Short Term	160.00	ACUITE A3 (Assigned)	
Letter of Credit (Inland/Foreign)	Short Term	68.00	ACUITE A3 (Assigned)	
Letter of Credit (Inland/Foreign)	Short Term	57.14	ACUITE A3 (Assigned)	
Letter of Credit (Inland/Foreign)	Short Term	94.64	ACUITE A3 (Assigned)	
Letter of Credit (Inland/Foreign)	Short Term	74.00	ACUITE A3 (Assigned)	
Letter of Credit (Inland/Foreign)	Short Term	16.50	ACUITE A3 (Assigned)	
Letter of Credit (Inland/Foreign)	Short Term	25.00	ACUITE A3 (Assigned)	

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	22.84	ACUITE BB+ (Downgraded and Withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB+ (Downgraded and Withdrawn)
Term loans	Not Applicable	Not Applicable	Not Applicable	26.68	ACUITE BB+ (Downgraded and Withdrawn)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	133.00	ACUITE A4+ (Downgraded and Withdrawn)
FUBD/FDBP/REBA	Not Applicable	Not Applicable	Not Applicable	158.00	ACUITE A4+ (Downgraded and Withdrawn)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	158.00	ACUITE A4+ (Downgraded and Withdrawn)

					Withdrawn)
FDDBP/FDUBD/RD DBP/RDUBD	Not Applicable	Not Applicable	Not Applicable	176.00	ACUITE A4+ (Downgraded and Withdrawn)
EPC/PCFC	Not Applicable	Not Applicable	Not Applicable	116.00	ACUITE A4+ (Downgraded and Withdrawn)
EBP/EBD	Not Applicable	Not Applicable	Not Applicable	208.00	ACUITE A4+ (Downgraded and Withdrawn)
EBD/FBD/EBR	Not Applicable	Not Applicable	Not Applicable	90.00	ACUITE A4+ (Downgraded and Withdrawn)
EPC/PCFC	Not Applicable	Not Applicable	Not Applicable	67.00	ACUITE A4+ (Downgraded and Withdrawn)
FBP/FCBD/FBN/FC BN	Not Applicable	Not Applicable	Not Applicable	83.00	ACUITE A4+ (Downgraded and Withdrawn)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	52.00	ACUITE A4+ (Downgraded and Withdrawn)
FDB/FBE/BRD	Not Applicable	Not Applicable	Not Applicable	80.35	ACUITE A4+ (Downgraded and Withdrawn)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	38.00	ACUITE A4+ (Downgraded and Withdrawn)
FOBP/FOUBP/FOB NLC/FOUBNLC/FO BD/FOUBD	Not Applicable	Not Applicable	Not Applicable	68.00	ACUITE A4+ (Downgraded and Withdrawn)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A4+ (Downgraded and Withdrawn)
FDBP/FUDBP/BPFC /BDFC	Not Applicable	Not Applicable	Not Applicable	65.00	ACUITE A4+ (Downgraded and Withdrawn)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+ (Downgraded and Withdrawn)
FBP/FBP(FC)	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A4+ (Downgraded and Withdrawn)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4+ (Downgraded and Withdrawn)
FDBN/FDBP/FDBD/ PSCFC/DPB/RACB	Not Applicable	Not Applicable	Not Applicable	36.00	ACUITE A4+ (Downgraded and Withdrawn)
Letter of Credit (Inland/Foreign)	Not Applicable	Not Applicable	Not Applicable	153.00	ACUITE A4+ (Downgraded and Withdrawn)

					Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	61.00	ACUITE A4+ (Downgraded and Withdrawn)
Letter of Credit (Inland/Foreign)	Not Applicable	Not Applicable	Not Applicable	194.00	ACUITE A4+ (Downgraded and Withdrawn)
Letter of Credit (Inland/Foreign)	Not Applicable	Not Applicable	Not Applicable	181.64	ACUITE A4+ (Downgraded and Withdrawn)
Letter of Credit (Inland/Foreign)	Not Applicable	Not Applicable	Not Applicable	160.00	ACUITE A4+ (Downgraded and Withdrawn)
Letter of Credit (Inland/Foreign)	Not Applicable	Not Applicable	Not Applicable	68.00	ACUITE A4+ (Downgraded and Withdrawn)
Letter of Credit (Inland/Foreign)	Not Applicable	Not Applicable	Not Applicable	57.14	ACUITE A4+ (Downgraded and Withdrawn)
Letter of Credit (Inland/Foreign)	Not Applicable	Not Applicable	Not Applicable	94.64	ACUITE A4+ (Downgraded and Withdrawn)
Letter of Credit (Inland/Foreign)	Not Applicable	Not Applicable	Not Applicable	74.00	ACUITE A4+ (Downgraded and Withdrawn)
Letter of Credit (Inland/Foreign)	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE A4+ (Downgraded and Withdrawn)
Letter of Credit (Inland/Foreign)	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4+ (Downgraded and Withdrawn)

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About Acuité Ratings & Research:

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