



Rating Rationale

Vijay Transmission Pvt Ltd

17 Apr 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 70.00 Crores of Vijay Transmission Pvt Ltd.(VTPL)

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	38.00	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook: Stable)
Non Fund Based	32.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	70.00 (INR Seventy Crores Only)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has taken into account the experience of promoters; customer base which includes leading EPC players in transmission & distribution industry as well as state power utilities; healthy current order book position and favorable outlook for power transmission & distribution industry in the country.

The rating is however constrained by moderate financials of VTPL and competition from established players faced by the company in the market.

Description of Key Rating Drivers

Credit Strengths:

Experience of the Promoters:

The promoters of the company, Mr. Shital Chandra Paliwal, Mr. Keshav Chandra Paliwal and Mr. Narendra Chandra Paliwal have around four decades of experience in the steel trading business. They moved up the value chain by forming Vijay Transmission Pvt. Ltd. (VTPL) in Raipur during 2006, as a fabrication & galvanising unit of steel structures, transmission line towers catering to power transmission and distribution sector and leveraged their experience to create a wide customer base.



Customer Base:

The customers of the company are leading EPC players in power transmission & distribution industry, state power utilities etc. Customer base includes players like Suzlon, Siemens, Enercon, Lanco Group, Maharashtra State Electricity Board(MSEB), Nuclear Power (I) Ltd, BHEL, NTPC, MSETCL, Alstom T&D, L&T- ECC, ABB, Tata Power etc. Private players constitute 75% of customer base, rest 25% are Govt. players.

Healthy Order Book Position:

Currently it has Rs. 60.00 Cr of orders in hand (34% of FY 16-17 revenue), which are to be executed in the next 3-6 months. Its revenue comes from two types of products i.e. *Tower Structure (TS)* and *Non - Tower Structure (Non-TS)*. TS products are Power Transmission Towers (66 kV to 765 kV), Lattice & Pipe Type - Sub -Station Structures (66 kV to 765 kV) etc. They contribute 60-65% to the total revenue. These are made as per customer specifications and are slow moving. Non - TS products are Rooftop & GBT Telecom / Communication Towers (12 mts to 150 mts), Rural Electrification Structures – RJP Poles, V-Cross Arms, Clamps, Earthing Strips etc. They contribute 35-40% to the total revenue and are fast moving.

Favourable Industry Outlook:

The Govt. is taking various initiatives to strengthen the transmission & distribution network in the country, as substantial portion of our population is having limited access to electricity, due to lack of robust transmission & distribution infrastructure. These initiatives are giving a boost to the sector in the medium and long term and created a demand for both TS and Non-TS products produced by the company.

Credit Risks:

Moderate Financials:

At the end of FY17, the net-worth of the company is at modest level of Rs. 19.76 Cr with net profit margin at low level of 1.66%.

Competition from bigger players:

The company is having a modest scale of operation and faces competition from bigger players in the industry.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable



BWR believes **Vijay Transmission Pvt Ltd's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down with deterioration in profitability.

About the Company

VTPL is based in Raipur, was incorporated in 2006 as a fabrication & galvanising units of steel structures and transmission line towers. The Company has a fully equipped hot dip galvanizing shop with a modern **Galvanizing furnace**, process tanks and matching ETP system for effluents & material handling equipment for production up to 24000 MT/annum. **Fabrication** unit has capacity upto 18000 MT/annum. The shareholding pattern of the company as follows: Mr. Shital Chandra Paliwal (7.95%), Mr. Keshav Chandra Paliwal (8.56%), Mr. Narendra Chandra Paliwal (8.80%), Vijay Steel Corporation Pvt. Ltd. (23.65%) and SKN Ventures (37.39%). Vijay Steel Corporation Pvt. Ltd. and SKN Ventures are trader of steel angles, beams, bars, channels and plates and are promoted by the Paliwal family.

Company Financial Performance

During FY 16-17, the company registered total revenue of Rs. 175.66 Cr with net profit of Rs. 2.57 Cr. For FY 15-16, the total revenue and net profits were at Rs. 150.23 Cr and Rs. 2.05 Cr respectively.

Key Financial Indicators

Key Parameters	Units	FY 16	FY 17
Result Type			
Operating Revenue	₹ Cr	131.21	154.14
OBITDA	₹ Cr	7.12	7.98
PAT	₹ Cr	2.05	2.57
Tangible Net worth	₹ Cr	17.16	19.76
Total Debt/Tangible Net worth	Times	1.58	1.70
Current Ratio	Times	1.28	1.29



Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long term	38.00	BWR BB+ (Outlook: Stable)	-	-	-
	Non Fund Based	Short Term	32.00	BWR A4	-	-	-
	Total	70.00 (₹ Seventy Crores Only)					

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

Any other information

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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