

**Rating Rationale**

**Vishal Structurals Private Limited**

**Brickwork Ratings reaffirms the ratings to BWR BBB-/Stable and BWR A3 for the Bank Facilities of Rs.68.70 Cr of Vishal Structurals Private Limited (VSPL or the company)**

**Particulars**

Facility	Amount (Rs. Cr)		Tenure	Rating *	
	Previous	Present #		Previous (Sep 2019)	Present (Oct 2020)
<b>Fund Based</b>	<b>25.60</b>	<b>25.60</b>	<b>Long Term</b>	<b>BWR BBB-/Stable</b>	<b>BWR BBB-/Stable Reaffirmed</b>
<b>Non Fund Based</b>	<b>43.10</b>	<b>43.10</b>	<b>Short Term</b>	<b>BWR A3</b>	<b>BWR A3 Reaffirmed</b>
<b>Total</b>	<b>68.70</b>	<b>68.70</b>	<b>INR Sixty Eight Crore and Seventy Lakh Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

#Annexure I shows the detailed facilities

**RATING ACTION/OUTLOOK**

Brickwork Ratings reaffirms the ratings to BWR BBB-/Stable and BWR A3 for the bank facilities of Vishal Structurals Private Limited.

The ratings continue to draw strength from experienced promoters, healthy order book position coupled with reputed clientele and moderate financial risk profile.

The ratings, however, continue to be constrained by working capital intensive nature of operations, exposure to volatile raw material prices, presence in competitive & fragmented industry coupled with tender-driven nature of operations coupled with inherent project execution risk.

**KEY RATING DRIVERS**

**Credit Strengths:**

- **Experienced promoters**

The overall operations of VSPL are managed by the directors - Mr. M.N. Krishnamoorthy



and Mr. Kishore Krishnamoorthy, who possess a total experience of over 46 years and 23 years respectively in the EPC industry for oil & petrochemical companies. Mr. M.N. Krishnamoorthy looks after production, operations & finance, whereas Mr. Kishore Krishnamoorthy looks after the overall management.

- **Healthy order book position coupled with reputed clientele**

VSPL possesses a healthy order book position comprising 10 open orders worth Rs.349.17 crore pending for execution as on August 31, 2020, which are expected to be completely executed by August 2022. Out of the pending orders worth Rs.349.17 crore as on August 31, 2020, the company is expected to bill Rs.92.01 crore between September 2020 to March 2021. Over the years, VSPL has established relations with reputed clientele including Hindustan Petroleum Corporation Limited (HPCL), Indian Oil Corporation Limited (IOCL), Mumbai Port Trust, IMC Limited, RSPL Limited, etc. and the repeat business from them reflects the company's strong project execution and reputation in the market.

- **Moderate financial risk profile marked by relatively modest albeit growing scale of operations, healthy profit margins coupled with comfortable debt coverage indicators and capital structure**

The total operating income stood relatively modest, however increased from Rs.70.39 crore in FY18 to Rs.78.43 crore in FY19 owing to increase in revenues from various customers on the back of increase in executions of existing & new orders from HPCL for various locations; coupled with increase in executions of existing orders from IMC Limited and Mumbai Port Trust. The total operating income further increased marginally from Rs.78.43 crore in FY19 to Rs.80.68 crore in FY20 (prov.) owing to a significant increase in revenues from HPCL (Asoj), IOCL and other customers on the back of increase in executions of existing orders. Further, the net sales increased significantly from Rs.38.21 crore in H1FY20 to Rs.46.15 crore in H1FY21 owing to increase in order executions.

The profit margins stood healthy, given the capital goods EPC nature of operations, whereas the same stood almost stable with operating profit margin at 14.73% in FY20 (prov.) (vis-a-vis 14.58% and 14.57% in FY18 and FY19 respectively) and net profit margin at 4.45% in FY20 (prov.) (vis-a-vis 3.98% and 4.79% in FY18 and FY19 respectively). On the other hand, the ISCR and DSCR stood comfortable at 1.63 times and 1.57 times respectively in FY20 (prov.) (vis-a-vis 1.85 times and 1.71 times respectively in FY19).

The overall gearing stood comfortable and almost stable at 0.82 times as on March 31, 2020 (prov.) (vis-a-vis 0.85 times as on March 31, 2019) owing to increase in the tangible net-worth base on the back of accretion of profits, albeit increase in debt levels owing to increase in the working capital bank borrowings to fund the increase in the scale of



operations in FY20 (prov.).

#### **Credit Weaknesses:**

- **Working capital intensive nature of operations**

The operations of VSPL are highly working capital intensive in nature with a majority of funds of over 100-150 days blocked in debtors as well as of over 150-175 days in WIP inventory. These are majorly funded by LCs of up to 180 days, and fund-based working capital facilities. The conversion cycle also stood negative at -1 day in FY20 (prov.) (vis-à-vis positive at 65 days in FY19), whereas the same improved in FY20 over FY19 owing to elongation in the creditors' period on the back of year-end creditors.

- **Exposure to volatile raw material prices**

VSPL is exposed to volatile raw material prices, since its primary raw material is steel of various types & grades, the prices of which are highly volatile in nature, the sharp fluctuations in which may lead to fluctuations in the profit margins of the company.

- **Presence in competitive & fragmented industry coupled with tender-driven nature of operations coupled with inherent project execution risk**

VSPL is present in a highly competitive & fragmented industry and has to undergo a competitive bidding process in order to avail orders from government & other reputed players. Moreover, it is also exposed to the inherent project execution risk in the EPC business, which factors in many aspects viz. timely availability of project site, raw materials, skilled & unskilled labour, government clearances, etc.

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

BWR has essentially relied upon the standalone audited financials of the company up to FY19, CA-certified provisional financials for FY20, projections up to FY22, publicly available information and information/clarifications provided by the management.

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 SENSITIVITIES**

Going forward, the ability of the company to further increase its scale of operations, improve its capital structure further, maintain its profit margins albeit improve its debt coverage indicators and efficiently manage its working capital by further strengthening its liquidity position would be the key rating sensitivities.

**Positive:** Significant improvement in the scale of operations amid the global pandemic situation



coupled with improvement in the liquidity profile

**Negative:** Inability to achieve the envisaged improvement in the scale of operations coupled with deterioration in the profit margins, capital structure, debt coverage indicators & liquidity profile

**LIQUIDITY POSITION: Adequate**

The current ratio stood comfortable at 1.48 times as on March 31, 2020 (prov.) (vis-à-vis 1.54 times as on March 31, 2019). The cash credit, letter of credit & bank guarantee utilization in the last 6 months ended September 2020 stood at almost optimum levels. However, the prevailing lockdown situation created a financial stress for its clients, the late payment from whom, in turn led to an LC devolvement worth Rs.1.22 crore, which was debited to the CC account leading to an overdrawing in the same from April 24, 2020 to May 22, 2020. However, both the CC and LC have been regular since then, whereas this was a one-time such financial stress. During August 2020, the company has availed a COVID-19-specific working capital term loan worth Rs.5.10 crore, thereby providing additional liquidity cushion, which is to be repaid in 36 monthly installments after a moratorium of 12 months.

**COMPANY PROFILE**

Vishal Structurals Private Limited (VSPL), an ISO 14001:2004, OHSAS 18001:2007-certified engineering company was incorporated in the year 1983, and is mainly engaged in engineering, procurement & construction (EPC) business for construction & maintenance of petrochemical storage tanks, pipelines, equipment erection, etc. The business majorly comprises construction of major tanks, LPG storage spheres, cryogenic tanks, pipelines (cross country & unit piping), structural projects, revamping & refurbishing projects, etc. along with tank farm management systems and fire-fighting systems. Apart from the above, VSPL also provides mechanical & structural design & engineering services for storage tanks, heavy structures, large warehouses, petroleum refineries & process equipment. VSPL also supplies shop-fabricated process equipment such as pressure vessels, process drums, towers, stacks, columns, etc. for petrochemical industries.



**KEY FINANCIAL INDICATORS**

<b>Key Parameters</b>	<b>31.3.2018 Audited</b>	<b>31.3.2019 Audited</b>	<b>31.3.2020 CA-certified</b>
<b>Total Operating Income</b> (Rs. Cr)	70.39	78.43	80.68
<b>EBITDA</b> (Rs. Cr)	10.26	11.43	11.89
<b>PAT</b> (Rs. Cr)	2.80	3.76	3.59
<b>Tangible Networth</b> (Rs. Cr)	26.58	30.34	33.93
<b>Tangible Networth (Adjusted)</b> (Rs. Cr)	27.33	31.09	34.68
<b>Total Debt:TNW</b> (Times)	0.83	0.85	0.82
<b>Total Debt:TNW (Adjusted)</b> (Times)	0.80	0.82	0.78
<b>Current Ratio</b> (Times)	1.47	1.54	1.48

**KEY COVENANTS OF INSTRUMENTS/FACILITIES TO BE RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA**

**Rating History for the last three years: (Including Withdrawal and Suspension)**

Sl. No.	Facility	Current Rating (Oct 2020)			Rating History		
		Type	Amount (Rs. Cr)	Rating	Sep 2019	Jun 2018	-
1	Fund based Cash Credit	Long Term	25.60	BWR BBB-/Stable Reaffirmed	BWR BBB-/Stable Reaffirmed	BWR BBB-/Stable Assigned	-
2	Non Fund Based Bank Guarantee  Letter of Credit	Short Term	40.10  3.00	BWR A3 Reaffirmed	BWR A3 Reaffirmed	BWR A3 Assigned	-
			<b>68.70</b>	<b>INR Sixty Eight Crore and Seventy Lakh Only</b>			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- **General Criteria**
- **Short Term Debt**
- **Manufacturing Companies**
- **Approach to Financial Ratios**



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**Annexure I**  
**Details of Rated Bank Facilities**

Bank	Name of Facility	Nature of Facility	Rated Amount (Rs.in Cr.)
Bank of India	Cash Credit	Fund Based - Long Term	25.60
	Bank Guarantee	Non Fund Based - Short Term	40.10
	Letter of Credit	Non Fund Based - Short Term	3.00
		<b>Total</b>	<b>68.70</b>

**INR Sixty Eight Crore and Seventy Lakh Only**

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