



Rating Rationale

Vishal Nirmiti Pvt. Ltd.

28 Mar 2019

Brickwork Ratings revises the Ratings to BWR BB+/A4+ (Outlook:Stable) for the Bank Loan Facilities of Rs.115.30 Crs of Vishal Nirmiti Pvt. Ltd. ('VNPL' or 'the Company')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present #		Previous (Apr 2017)	Present (Mar 2019)
Fund based	21.00	50.75	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable Upgraded
Non-Fund Based	15.00	64.55	Short Term	BWR A4+ (pronounced as BWR A Four Plus)	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed
Total	36.00	115.30	INR One Hundred Fifteen Crores and Thirty Lakhs Only		

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

Annexure I shows the detailed facilities

Rating was migrated to Rating Not Reviewed Category on Aug 16, 2018

Rating Action: Upgradation of Long term Rating and Reaffirmation of Short Term Rating

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials of the Company upto FY18, provisional financial results for 9MFY19, projections upto FY20, publicly available information and information/clarifications provided by the management.

The rating upgrade is on account of improvement in scale of operation and debt coverage indicators. The ratings continues to draw strength from the promoters' experience, reputed clientele and established relationships with customers and suppliers. However, the rating remains constrained by modest scale of operation, moderate profitability, moderate gearing levels, moderate debt coverage indicators, and intense competition from other players in the market.

Going forward the ability of the Company, to increase its scale of operation, improve its overall

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credit risk profile and efficient management of its working capital would be the key rating sensitivities.

Key Rating drivers

Credit strengths:

- **Experienced promoters, reputed clientele and diversified geographical presence**

The promoters of VNPL have vast experience of more than three decades in infrastructure industry. The promoters are executing contracts for Railways and large infrastructure development companies like L&T, NTPC, Adani Logistics etc. for more than three decades and have established a strong relationship with them which enable to receive repeat orders. Further, VNPL, has concrete sleepers manufacturing plants located in Madhya Pradesh, Maharashtra, Gujarat and Himachal Pradesh which allows the Company to bid for sleepers contract from multiple railway zones and DSCCI Projects.

Credit Weaknesses

- **Modest scale of operation, moderate gearing, moderate profitability and moderate debt coverage indicators**

The scale of VNPL, though improved in FY18 due to increase in prestressed sleepers revenue, but remained modest as the Company reported TOI of Rs.180.16 Crs in FY18 as against Rs.160.44 Crs in FY17. The operation scale has improved further as during 9MFY19 period, the company has achieved TOI of Rs.173.76 Crs. As on March 31, 2018, the Company has received unsecured loans of Rs.27.60 Crs from group companies which are to be retained in the business during the loan tenure, resulting in an adjusted total gearing of 1.90x as on March 31, 2018 as against adjusted total gearing of 2.02x as on March 31, 2017. Owing to lower trading volume and decreased expenses towards contract work labour & overheads, the operating profit margin of the Company has improved to 10.33% in FY18 as compared to 7.55% in FY17. It remained in the similar range at 9.58% in 9MFY19. Owing to the improved profit margins, ISCR of VNPL though improved but remained low at 1.37x for FY18 as against 0.89x for FY17. However, during 9MFY19 period, VNPL's ISCR has improved and stood comfortable at 1.95x due to relatively lower interest and bank finance charges during the period. The liquidity position of the Company is moderate though its current ratio was low at 1.16x as on March 31, 2018. However, the Company had Cash and bank balance of Rs.9.99 Crs as on March 31, 2018.

- **Presence in a competitive industry**

VNPL faces competition from other existing players in the market which exerts pressure on the profitability of the Company as the pricing of the concrete sleepers is finalised by Railways based on the bids submitted by the various players.



Liquidity Profile:

The liquidity position of the Company is moderate as even though its current ratio was low at 1.16x as on March 31, 2018. However, the Company had Cash and bank balance of Rs.9.99 Crs as on March 31, 2018.

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 VNPL'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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Company

Vishal Nirmitti Pvt. Ltd. (VNPL) is a Mumbai based company promoted by Gilada & Tapadiya Families of Gulbarga, Karnataka. The Company is engaged in manufacturing of Pre-stressed Sleepers for Indian Railways. The Company also trades HTC Wires and undertakes activities like construction of RCC and PSC polls, Civil Engineering and Infrastructure Projects and operates windmill in Sangli, Maharashtra. The Company is part of Conglomerate 'GITA Group' which has 13 companies in its fold. VNPL has 3 sleepers manufacturing plants at Mohol, Maharashtra, Bankhedi, Madhya Pradesh and Kandrori, Himachal Pradesh.

Financial Performance

In FY18, the Company reported TOI of Rs.180.16 Crs and net loss of Rs.0.91 Crs as against TOI of Rs.160.44 Crs and net loss of Rs.1.95 Crs in FY17. In 9MFY19, on a provisional basis, VNPL has achieved TOI of Rs.173.76 Crs and Operating Profit of Rs.16.65 Crs.



Rating History for the last three years:

Sl. No.	Facility	Current Rating (March 2019)			Rating History		
		Type	Amount (Rs. Crs)	Rating	Apr 2017	2016	2015
1	Fund based Cash Credit/OCC/ODBD	Long Term	50.75	BWR BB+ (pronounced as BWR Double B Plus) (Outlook:Stable) Upgraded	BWR BB (pronounced as BWR Double B) (Outlook:Stable)	Not Rated	Not Rated
2	Non-Fund Based Bank Guarantee Letter of Credit	Short Term	52.90 11.65	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed	BWR A4+ (Pronounced as BWR A Four Plus)		
			115.30	INR One Hundred Fifteen Crores and Thirty Lakhs Only			

Status of Non cooperation with other CRA : Nil

Any other information : Nil

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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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 Maharashtra	Cash Credit	FB-Long Term	20.00
	BG	NFB-Short Term	12.51
State Bank of India	Cash Credit	FB-Long Term	1.00
	LC	NFB-Short Term	9.00
	BG		6.00
Canara Bank	OCC/OBDB	FB-Long Term	9.75
	BG	NFB-Short Term	2.10
	LC		2.65
HDFC Bank	Cash Credit	FB-Long Term	8.00
	BG	NFB-Short Term	7.39
	LC		(7.39)*
	Performance BG		5.00
	Mobilisation Advance BG		7.50
ICICI Bank	Cash Credit	FB-Long Term	12.00
	BG	NFB-Short Term	12.40
	LC		(11.40)#
Total			115.30

*BG is the Sub-limit of LC, #LC is the sub-limit of BG



Annexure II Key Financial Indicators

	31.3.2018 Audited	31.3.2017 Audited
Total Operating Income (Rs. Cr)	180.16	160.44
EBITDA (Rs. Cr)	18.61	12.11
PAT (Rs. Cr)	(0.91)	(1.95)
Tangible Networth (Rs. Cr)	28.89	29.81
Total Debt:TNW (Times)	2.86	2.53
Current Ratio (Times)	1.16	1.09

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

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