

Vivan Steels Private Limited

January 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	39.98 (Reduced from 40.97)	CARE BBB-; Stable	Reaffirmed
Long-term / Short-term bank facilities	1.50	CARE BBB-; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at ratings of Vivan Steels Private Limited (VSPL), CARE Ratings Limited (CARE Ratings) has considered the combined business and financial profiles of three entities including VSPL, Vivan Steel and Alloys Private Limited (VSAPL) and Shree Parmeshwar Steels Private Limited (PSPL), together referred to Vivan Group (VG). All the entities operate in the steel industry and are jointly managed by a common promoter family.

Ratings assigned to bank facilities of VSPL continue to derive strength from the vast experience of promoters for over three decades in long steel product industry, established selling and distribution network, moderate capital structure and debt coverage indicators and adequate liquidity.

However, ratings continue to remain constrained due to VG's moderate scale of operations with thin profit margins in FY24 (audited, FY refers to April 01 to March 31). Ratings further remain constrained due to VG's presence in a highly competitive and cyclical steel industry and susceptibility of its profitability to raw material price volatility. Further, ratings consider the risk associated with debt funded solar power project.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in the scale of operations marked by total operating income (TOI) of over ₹900 crore and improvement in profitability marked by profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 4% on a sustained basis.
- Improvement in capital structure marked by overall gearing below unity and PBILDT interest coverage ratio above 4x with sustaining operating cycle.

Negative factors

- Decline in the scale of operations marked by TOI less than ₹500 crore and deterioration in profitability marked by PBILDT margin below 2%.
- Major incremental debt resulting in overall gearing above 1.75x or interest coverage below 2x.

Analytical approach: Combined

For arriving at VSPL's ratings, CARE Ratings has combined the business and financial risk profiles of VSPL, VSAPL and PSPL as all entities operate in the same industry of steel and are jointly managed by a promoter family and have exhibited cashflow fungibility. The analytical approach has been revised from 'standalone' to 'combined' due to business integration within the group, and the cash flow fungibility. FY23 was first full year of operations for VSAPL, and in the absence of demonstrated track record of support and adequate information, standalone approach was taken till last review. However, with demonstrated track record of inter-company transactions within the group and intention of promoters that entities will not operate in isolation, combined approach has been adopted.

Outlook: Stable

The outlook on the long-term rating of VSPL is "Stable" as CARE Ratings expects the entity would continue to benefit from the extensive experience of promoters and established presence in steel industry. CARE Ratings expects the entity to maintain its overall financial risk profile.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Vast experience of promoters for over three decades in long steel product industry

Incorporated in 2005, VSPL is a part of Ahmedabad, Gujarat based VG, which has presence in the long steel product industry for over three decades. The first entity of the group, Hari Om Rolling Mills was established by Indravadan D Patel as a proprietary concern in 1987 and was engaged in trading steel. Later, in 1998, it was converted to private limited company, PSPL which is engaged in manufacturing TMT bars and electric overhead travelling (EOT) cranes under brand name "GOD". Shree Gajanand Bright Bars, another group concern established in 2006, is a sole proprietary concern of Shalin Patel which is engaged in manufacturing bright bars (raw material for the fastener). Promoters have also incorporated VSAPL engaged in manufacturing billets and commenced its operations from March 2022. VG is managed by second generation of the promoter family, Sahil Patel and Shalin Patel. Sahil Patel has completed Master of Engineering (ME - Production) from California State University (USA) and is currently managing the group's manufacturing operation. Shalin Patel has qualification of Master of Business Administration (MBA) from Australia and is currently managing the group's finance and marketing.

Established selling and distribution network

VSPL is engaged in manufacturing round bars from billets ranging from 2 mm to 200 mm. VSPL's product finds its application primarily in capital and engineering goods, infrastructure, and auto ancillary industries. VSPL has track record of over a two decades in the industry (including trading activity from 2005 to 2014) and has an established selling and distribution network. It also benefits from VG's established presence in the industry. VSPL markets its products mainly in the western India including Rajkot, Ahmedabad, Mumbai, Pune, and Nasik.

Moderate capital structure and debt coverage indicators

VG has a moderate capital structure, marked by an overall gearing of 1.03x as on March 31, 2024, against 1.45x as on March 31, 2023. Improvement is considering improved net worth owing to accretion of profits to reserves and lower outstanding debt with scheduled repayment of term loans and repayment of unsecured loans. The group's debt coverage indicators remain moderate, marked by interest coverage and total debt to gross cash accruals (TD/GCA) of 3.06x and 5.03x, respectively, as on March 31, 2024, against 3.67x and 5.47x, respectively, as on March 31, 2023. However, with upcoming debt-funded 18.60 megawatt (MW) solar power project, overall gearing is expected to moderate going-forward.

Key weaknesses

Moderate scale of operations and thin profitability due to limited value addition

In FY24, VG's TOI de-grew by ~15% to ₹831.75 crore on a year-over-year (y-o-y) basis due to lower realisation and moderate dip in sales volume. Capacity utilisation of rolling mills remained at 78% in FY24 against 82% in FY23 with PBILDT/tonne of ₹1069 in FY24 (FY23: ₹1037). VG has reported PBILDT margin of 2.5%-3.5% in the past except FY21, where the group benefitted from steep increase in steel prices resulting better PBILDT margin. In FY24, PBILDT and profit after tax (PAT) margin stood at 3.26%, and 1.11%, respectively, and expected to remain in the similar range in FY25 considering lower steel prices and moderate demand. Till December 24, 2024, VG has reported TOI of ~₹537.9 crore.

Risk associated with its solar power project

VG is planning to undertake solar power project with capacity of 18.6 MW including 2.1 MW in PSPL, 1.5 MW in VSPL and 15 MW in VSAPL. The combined estimated project cost is ~₹56 crore which is to be funded through term loan of ₹47.5 crore and balance through internal accruals. Financial closure has been achieved and as indicated by the management; the project is expected to be commissioned from July 2025. Project is moving slower since management is expecting favourable policy change regarding banking of units which will be finalised by end of January 2025. Once policy is finalised, company will ramp-up implementation.

Susceptibility of profitability to volatile raw material prices

Raw material consumption is the single largest cost component accounting for ~90% cost of sales. The major raw material required for manufacturing round bars is billets and its prices are volatile. VG's profitability is susceptible to adverse movement in its raw materials prices, especially, considering competitive market scenario.

Highly competitive and cyclical industry

The long steel products industry is highly competitive with presence of many small and mid-sized players operating in the industry and a few large sized and established players. Demand for long steel product is highly cyclical and is affected by factors including global demand and supply, foreign exchange fluctuation and other macro-economic factors. Demand for VG's round bars is linked largely to demand in capital and engineering goods industry, textile industry, infrastructure industry, and auto ancillary among others which is cyclical and closely follows the macroeconomic cycle.

Liquidity: Adequate

VG has adequate liquidity marked by moderate working capital limit utilisation, operating cycle, and liquidity ratios. VG had generated sufficient cash accruals of ₹17.51 crore in FY24 against repayment obligation of ~₹5.50 crore in FY25. The average utilisation of working capital limits remains at ~60-65% for the last 12 months ended November 2024. The group generally offers 20 days of credit to customer against which most purchases are made on cash basis. Consequently, operating cycle stood moderate at 48 days in FY24 (PY:34 days). The current ratio and quick ratio stood at 1.72x and 0.82x, respectively, as on March 31, 2024, reflecting high inventory holding. In FY24, VG has reported ₹36.64 crore cashflow from operations.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals and mining	Ferrous metals	Iron and steel

VSPL was incorporated in 2005 by Sahil Patel and Shalin Patel. Initially, the company was trading round TMT steel bars, subsequently it set up its own manufacturing facility at Bavla, Ahmedabad, Gujarat and commenced production in October 2014. As on March 31, 2024, the company had installed rolling capacity of 1,00,000 metric ton per annum (MTPA) for manufacturing round bars which are sold under the brand name 'Vivan'. The company manufactures carbon steel and milled steel (MS) round bars from billets which finds application in engineering and capital goods industry, textile industry, infrastructure industry, and auto ancillary among others. Vivan group also includes other entities; VSAPL which manufactures steel billets and ingots with a capacity of 30,000 MTPA and PSPL which manufactures TMT bars with installed capacity of 1,00,000 MTPA as on March 31, 2024.

Brief Financials (₹ crore)	Combined (VG)			Standalone (VSPL)		
	March 31, 2023 (UA)	March 31, 2024 (UA)	Up to December 24, 2024 (UA)	March 31, 2023 (A)	March 31, 2024 (A)	Up to December 24, 2024 (UA)
Total operating income	936.95	831.75	537.9	395.58	353.84	256.45
PBILDT	29.73	27.10	NA	8.37	9.20	NA
PAT	9.81	9.25		3.12	3.68	
Overall gearing (times)	1.45	1.03		1.29	1.06	
Interest coverage (times)	3.67	3.06		2.63	2.45	

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL had reviewed VSPL's ratings under Issuer not cooperating category vide press release dated June 26, 2024, considering its inability to carry out review in the absence of requisite information from the company.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	38.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	31-12-2026	1.98	CARE BBB-; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	1.50	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	38.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (15-Dec-23)	1)CARE BBB-; Stable (25-Jan-23)	1)CARE BBB-; Stable (03-Dec-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	1.50	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (15-Dec-23)	1)CARE BBB-; Stable / CARE A3 (25-Jan-23)	1)CARE BBB-; Stable / CARE A3 (03-Dec-21)
3	Fund-based - LT-Term Loan	LT	1.98	CARE BBB-; Stable	-	1)CARE BBB-; Stable (15-Dec-23)	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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