Vishnu Forge Industries Limited

July 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	30.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Vishnu Forge Industries Limited to monitor the rating(s) vide email communications/letters dated May 06,2025, June 12, 2025, June 13,2025 , June 18,2025 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Vishnu Forge Industries's bank facilities will now be denoted as CARE BB-; Stable ;ISSUER NOT COOPERATING* Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-availability of information.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on July 01,2024 , the following were the rating strengths and weaknesses

Key weaknesses

Modest net worth base with large ongoing debt funded capex

The net worth base continued to be modest at ₹15.28 crore as on March 31, 2023 (provisional), thus restricting the financial flexibility of the company. Further, the company has been giving 9% dividend to its shareholders consistently. The company is in the process of setting up additional unit at Tumkur with installed capacity of 5,000 MT per annum, primarily for the exports market. The total project cost is estimated to be ₹36.54 crore (2.40x NW as at FY24 end), which will be primarily sourced through bank debt of ₹20 crore and balance through equity infusion and internal accruals. VFIL already purchased 4 acres land from Karnataka Industrial Areas Development Board (KIADB) through its internal accruals and debt. Furthermore, the company has incurred a total cost of 12 crore as on June 21, 2024, and the same is expected to operationalise from October 2024. Given significantly high cost of project in comparison to modest tangible net worth base of Rs.15.28 crore, the ability of the company to complete the project within the envisaged costs and timelines and to operate the plant at optimum capacity utilisation by adding new customers would be key rating monitorable.

Highly fragmented and intense competitive nature of industry

VFIL operates in a highly competitive industry which is accounted by presence of a large number of players in the unorganised and organised segment, with the unorganised segment consisting around 45%-50% of the overall industry size. The high competition restricts the pricing flexibility and bargaining power of the company.

Susceptibility to raw material price fluctuation

The forging industry is marked by raw material intensive operations. The price of key raw material, steel billets, has been volatile in the past. The major raw materials comprise different grades of steel including mild steel, carbon steel, alloy steel and stainless steel and scrap. The prices of steel have been fluctuating over the past years due to volatility in the global commodity markets. Thereby exposing the profitability margins of the company to fluctuation in raw material prices.

Key strengths

Experienced promoters and wide range of product portfolio

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

The promoters have business vintage of over 30 years in the forging business and also manages other companies which are into steel trading and engineering services. VFIL has installed capacity to manufacture 5000 tonnes per year, the average capacity utilisation has been around 70%. VFIL offers wide range of products across industries .The vast product offering across sectors insulates the company during the downcycle of specific sectors and ensures regular flow of orders.

Substantial improvement in the Profitability margins; albeit operating cash flow remain negative
The company has set up a new gas line to reduce its power & fuel expenses due to captive consumption there has been visible 10% reduction in the power & fuel expense in FY24. Moreover, with reduction in the RM prices (steel and iron ore), the overall cost of material for the company had come down by 5%. Due to curbed cost of sales, the company had witnessed improved profitability both in absolute as well as percentage terms. The PBILDT margin of the company stood at 5.14% in FY24 (FY23: 3.29%).Similarly there is a Y-o-Y growth in the PAT margins of the company by 1.26%. Also, on the back of its expected increase in its export share post commencement of sales from its ongoing expansion at Tumkur, the margins are expected to witness a significant jump going forward. Hence, ability of the company to accrue benefits from its ongoing capex as envisaged without cost and time overrun remain critical from credit perspective.

Established association with suppliers and customers
Long operational track record has aided the company in establishing association with suppliers and customers. The major raw material – steel is procured from the group company Jaypee Alloy and Steels Limited (around 50%). VFIL's clientele base includes Indian Railways, BEML and other reputed companies; thus, resulting in continuous orders to the company.

Liquidity: Stretched
Modest scale of operations and low net worth base restricts the financial flexibility of the company. Utilisation of internal accruals for purchase of land has led to increase in CC utilisation level. The average utilisation of CC limits is at around 65%-70% during last 12 months ended March 2024 from earlier levels of 30%-40%. With company undertaking large debt-funded capex, its ability to complete the same within the envisaged cost and timelines and to operate at optimum capacity utilisation will be crucial from the liquidity perspective.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Information Adequacy Risk and Issuer Non-Cooperation
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Aluminium, Copper & Zinc Products

Bengaluru-based Vishnu Forge Industries Limited (VFIL) was established in 1963 as a partnership firm and is into manufacturing of forgings with installed capacity of 5000 MT per annum. The company was subsequently reconstituted to public limited company in 1991. The company offers wide range of products across automobile, railways and other industries with established association with suppliers and reputed clientele base. The company is in the process of setting up additional unit at Tumkur, Karnataka to venture into export business with installed capacity of 5,000 MT.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	77.06	76.43
PBILDT	2.53	2.89

PAT	1.37	1.47
Overall gearing (times)	0.50	0.78
Interest coverage (times)	5.58	4.18

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

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		-	-	-	10.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	June 2032	20.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	10.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (01-Jul-24)	1)CARE BB; Stable (06-Jul-23)	1)CARE BB+; Stable (26-May-22)
2	Fund-based - LT-Term Loan	LT	20.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (01-Jul-24)	-	-

*Issuer did not cooperate; based on best available information.
LT: Long 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

Annexure-5: Lender details

To view the 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.

Contact us

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About us:
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