

OCTOBER 29, 2015

CARE ASSIGNS 'CARE BB/ CARE A4' RATINGS TO BANK FACILITIES OF VASWANI INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	35.76	CARE BB (Double B)	Assigned
Short term Bank Facilities	32.0	CARE A4 (A Four)	Assigned
Long-term/Short-term Bank Facilities	10.0	CARE BB/ CARE A4 Double B)/ (A Four)	Assigned
Total Facilities	77.76 (Rupees Seventy Seven crore and Seventy Six lakhs only)		

Rating Rationale

The ratings assigned to the bank facilities of Vaswani Industries Limited (VIL) is primarily constrained by its thin profit margins, moderate debt service indicators, modest scale of operations and susceptibility of its profit margins to volatility in prices of inputs materials. Stretched liquidity position marked by higher utilisation of bank borrowings and cyclicity associated with the steel industry also constrain the ratings. Such ratings, however, derive strength from its long track record of operations along with rich experience of the promoters, semi-integrated nature of its operations and strategic location of its plant.

The ability of the company to improve its operating performance and liquidity position while effectively manage its working capital and capital structure would remain the key rating sensitivities.

Background

Vaswani Industries Limited (VIL) was incorporated by Mr Ravi Vaswani of Raipur (Chhattisgarh) in July, 2003. It commenced commercial operations since February 2004. Currently, it is engaged in manufacturing of Sponge Iron and Steel Billets/Ingots from its plants located in Chhattisgarh. VIL also has a captive 11.5MW power plant to ensure operational and business integration. As on March 31, 2015, VIL had installed capacities of 90,000 MTPA of sponge iron and 36,000MTPA of steel Billets/Ingots. Furthermore, the company is also involved in trading of allied products which comprised about 14.88% of its gross sales in FY15 (21.10 % in FY14).

VIL is part of Chhattisgarh based Vaswani Group, promoted by Mr Ravi Vaswani along with his brother Mr Pramod Vaswani. C. G. Ispat Private Limited (CG) is the other major company of the group engaged in manufacturing and selling of structural steel products like beam, angle, channel etc. As on March 31, 2015, CG had installed capacities of 60,000 MTPA of structural steel products. Around 34% of VIL's gross sales in FY15 were made to CG as around 60% billets produced by the company are used in CG to manufacture structural steel products.

In FY15 (refers to the period April 1 to March 31), VIL reported a PAT of Rs.1.15 crore (FY14- Rs.0.03 crore) on a total operating income of Rs.255.35 crore (FY14- Rs.228.30 crore). Furthermore, the company reported sales of around Rs.59.51 crore and PAT of around Rs.0.30 crore in Q1FY16.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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