

JULY 29, 2016

**CARE PLACES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
VIRAJ PROFILES LIMITED UNDER 'CREDIT WATCH'**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long -term Bank Facilities	861.98	CARE BBB+ [Triple B Plus]	Placed on Credit Watch
Short-term Bank Facilities	3,820.70	CARE A2 [A Two]	Placed on Credit Watch
Total Bank Facilities	4682.68 (Rupees Four Thousand Six hundred Eighty Two crore and Sixty Eight lakhs only)		

Rating Rationale

CARE has placed the ratings assigned to the bank facilities of Viraj Profiles Limited (VPL) under 'Credit Watch' following the notice issued by US International Trade Commission (USITC) to VPL dated May 25, 2016. As per the notice, VPL has been issued a limited exclusion and cease-and-desist order by the USITC based on spoliation of evidence in relation to a complaint from Valbruna Slater Stainless Inc. (Valbruna) alleging that VPL had been using the trade secrets which included proprietary knowledge regarding Valbruna's processes for melting, refining, and casting or pouring stainless steel, as well as customer lists. Italy-based Valbruna, which operates a stainless mill in Fort Wayne, Indiana, filed its Section 337 complaint with the USITC in September 2014.

The USITC's final determination in the Section 337 case bans import of stainless steel products into USA manufactured by or on behalf of VPL using any of the misappropriated trade secrets identified in Valbruna's complaint for 16.7 years and prohibits all of the company's activities related to the sale of its stainless steel products using any of the misappropriated trade secrets in the United States, including marketing, advertising and soliciting distributors for its products. The spoliation of electronic evidence is judged by USITC as per US laws and practices in case of an Indian company having manufacturing operations in India only.

Following are the remedial action planned by VPL:

- Application to USITC for continuing exports of products at downstream units of VPL using Stainless Steel Billets and Ingots made by third party manufacturers. VPL's attorneys are hopeful that their opinion will be considered by the USITC.
- VPL is in the process to issue 13.4% bond of USD 3 million till the final judgment is passed. This is expected to enable VPL to complete its outstanding order book for USA.
- Application to USITC for formation of a technical expert panel to decide on the time period, which is reasonable for making any Stainless Steel grade.
- Appeal to the US Federal Circuit Court challenging the USITC decision.

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

CARE is in the process of seeking additional information and clarifications from VPL, basis which CARE will take a view on the ratings once the exact implications of the above order on the business and overall credit risk profile of the company are clear.

Background

VPL, incorporated on February 02, 1996, is amongst the largest manufacturers of value-added stainless steel long products across the world and largest in India (Source: Steel and Metals Market Research GMBH). Its manufacturing facilities are located at MIDC – Tarapur. VPL focuses on manufacturing of industrial grades of stainless steel engineering products. VPL's products include wire-rods, wires, bright bars, profiles, fasteners, flanges & fittings which find applications across diverse industries including petrochemical plants, oil pipelines, ships, food processing, structural design, high tensile springs and cables, boilers, pressure vessels, liquid storage terminals, liquid cargo ships and surgical instruments. During FY15 (refers to the period April 1 to March 31), VPL reported profit after tax (PAT) of Rs.71 crore on a total operating income of Rs.5,814 crore as compared to PAT of Rs.63 crore on a total operating income of Rs.4,865 crore during FY14. Furthermore, during 9MFY16 (Provisional), VPL reported Profit before Tax (PBT) of Rs.129 crore on a total operating income of Rs.3,823 crore.

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

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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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