



Visa SunCoke Limited

Instrument	Amount in Rs. crore	Rating action
Fund Based Limits	Rs 50 crores	[ICRA]BBB/Stable reaffirmed
Non-fund Based Limits	Rs 200 crores	[ICRA]A3+ reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]BBB (pronounced ICRA triple B) assigned to the Rs. 50.00 crore cash credit limits of Visa SunCoke Limited (VSCL). The outlook on the long term rating is 'Stable'. ICRA has also reaffirmed the [ICRA]A3+ (pronounced ICRA A three plus) rating assigned to the Rs. 200.00 crore non-fund based facilities of VSCL.

The reaffirmation of the ratings takes into consideration the status of VSCL as a 51:49 joint venture (JV) between Visa Steel Limited (VSL) and SunCoke Energy Inc. (SunCoke, corporate family rating of Ba3/Stable by Moody's Corporation) and the long experience of its promoters and key operating personnel in operating coke oven plants. ICRA also takes comfort from the fact that SunCoke is a leading coke player in the international market. Although VSCL started operations in March 2013, the coke making and associated steam generation facilities of the company were earlier under VSL and thus have an established track record of operations, with a client base that included companies like Tata Steel Limited (TSL) and its subsidiaries, and Jindal Steel & Power Limited. The ratings continue to favourably factor in VSCL's external client base, which includes established steel manufacturers, reducing counter party risks. The ratings also take into consideration the comfortable capital structure and the positive long term demand outlook for metallurgical coke in India, on the back of planned capacity addition by steel manufacturers, and VSCL's healthy liquidity position with a substantial cash balance as on March 31, 2014 and large undrawn bank limits. ICRA also notes that the company does not have any long term loans at present. However, the ratings remain constrained by the exposure of the company to temporary mismatches in the prices of coking coal and coke, which exhibit considerable volatility, and long lead times involved in importing coking coal. The risk is reflected by the fact that the company had to take a write-down of its inventory by around Rs. 14.84 crore, on account of a correction in coking coal and coke prices globally during Q1 FY15. The susceptibility to the volatility in the price trends is further accentuated by the production process, which is highly raw-material intensive, which in turn is likely to keep the profits and cash flows of the company volatile. Further, the company remains exposed to the volatility in the foreign exchange rate, given that it has to import its entire coking coal requirements. The company incurred losses of around Rs. 17.85 crore on account of foreign exchange fluctuations in FY14. However, given the policy of progressively hedging the exposure that has been adopted by the company since the second half of FY14, risk of such losses are mitigated to an extent going forward. While re-affirming the ratings ICRA has also taken note of the weak financial profile of its Indian parent and a major client, Visa Steel Limited (VSL), which is under a corporate debt restructuring (CDR) scheme. The ratings also factor in VSCL's exposure to cyclical nature inherent in the iron and steel industry, the primary consuming industry for the company's product. While ICRA notes that VSCL has plans to increase its presence in the domestic coke making industry over the long term, they are at a nascent stage at present and ICRA will evaluate their impact on the company's financial risk profile as and when the projects and their funding patterns are finalised.

Company Profile

A joint venture between Visa Steel Limited and SunCoke Energy Inc, USA, Visa SunCoke Limited is operating a 0.4 mtpa heat recovery coke plant and associated steam generation units at Kalinganagar in Odisha. VSL holds a 51% stake and SunCoke Energy holds a 49% stake in Visa SunCoke Limited.

Recent results

VSCL posted a profit after tax (PAT) of Rs. 9.63 crore on an operating income of Rs. 590.48 crore in FY14.

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