

Press Release

Veeckay Plast (VP)

01 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.36.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs.36.00 crore bank facilities of Veeckay Plast (VP). The outlook is '**Stable**'.

Veeckay Plast established in 1996 is a Jaipur-based partnership firm engaged in the manufacturing of High density Polyethylene (HDPE) pipes and sprinklers systems. The firm was promoted by Mr. Vijay Kr. Katiyar, Mrs. Reema Godika and Mr. Vimal Katiyar who possess around two decades of experience in the pipe industry.

List of key rating drivers and their detailed description:

Strengths:

Experienced management and long track record of operations: VP was established in 1996. The partners, Mr. Vijay Kr. Katiyar, Mrs. Reema Godika and Mr. Vimal Katiyar have around two decades of experience while Mr. Sanjay Godika, CEO has three decades of experience in the pipe industry.

Reputed clientele: The reputed clientele includes Bharat Sanchar Nigam Ltd., Railtel Corporation of India Ltd., Corrtech International Private Limited among others. The firm sources plastic granules for manufacturing of HDPE pipes from GAIL and Indian Oil Corporation.

Weaknesses:

Moderate financial risk profile: The moderate financial profile of the firm is marked by moderate interest coverage ratio at 1.34 times in FY2016 as compared to 1.42 times in FY2015. The current ratio stands at 1.27 times in FY2016 as against 1.41 times in the previous year. The net profitability of the firm stands at 2.54 percent in FY2016 against 2.18 percent in FY2015. SMERA also notes that the firm has high gearing of 2.01 times in FY2016 as compared to 1.46 times in FY2015. The operating margin stands moderate at 10.64 percent in FY2016 as against 7.91 percent last year. The firm has stretched working capital cycle marked by high GCA days of 306 in FY2016 as compared to 253 days in FY2015.

Tender driven business: The operations are tender-based with revenues susceptible to tenders won by the firm. However, the promoter's experience and relationship with clientele, partially mitigates this risk.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the firm's outlook will remain stable owing to its long track of operations, experienced management and reputed clientele. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenue and capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile.

About the Rated Entity

Veeckay Plast established in 1996 is a Jaipur-based partnership firm engaged in the manufacturing of High density Polyethylene (HDPE) pipes and sprinklers systems. The installed capacity stands at 1380 metric tonnes per month. In 2010, the firm entered into the polymer distribution business as a Del-Credere Associate cum Consignment Stockist of Indian Oil Corporation Limited in the state of Rajasthan. The firm is largely into manufacturing (90 per cent) with 10 per cent of trading activity.

For FY2016, VP reported PAT of Rs.0.87 crore on operating income of Rs.34.42 crore as compared to Rs.1.01 crore on operating income of Rs.46.37 crore for FY2015. The net worth stood at Rs.9.63 crore in FY2016 as against Rs.10.51 crore in the previous year. The net worth of Rs.9.63 crore in FY2016 includes quasi equity of Rs.3.12 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	7.50	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Cash Credit (EDFS)	LT	12.00	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	7.50	SMERA A4 (Assigned)	-	-	-	-	-	-
Letter of Credit	ST	1.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Bank Guarantee (EDFS)	ST	8.00	SMERA A4 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	7.50	SMERA BB-/Stable (Assigned)
Cash Credit (EDFS)	N.A	N.A	N.A	12.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	7.50	SMERA A4 (Assigned)
Letter of Credit	N.A	N.A	N.A	1.00	SMERA A4 (Assigned)
Bank Guarantee (EDFS)	N.A	N.A	N.A	8.00	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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