

## Press Release

### Veekay Plast (VP)

01 February, 2017

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.36.00 Cr
<b>Long Term Rating</b>	SMERA BB-/Stable (Assigned)
<b>Short Term Rating</b>	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 Veekay Plast (VP). The outlook is '**Stable**'.

Veekay 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., Corrttech 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.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.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

Veekay 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>

**Contacts:**

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Mr. Mrinal Mahip, Rating Analyst, Tel: 011-49731304 Email: <a href="mailto:mrinal.mahip@smera.in">mrinal.mahip@smera.in</a>	

**ABOUT SMERA**

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.