

Press Release

Veeckay Plast

16 April, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 41.00 Cr. (enhanced from Rs. 36.00 Crores)
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long-term rating on the Rs. 41.00 crore (enhanced from Rs.36.00 crore) bank facilities of VEEKAY PLAST to '**SMERA BB**' (**read as SMERA double B**) from '**SMERA BB-**' (**read as SMERA Double B minus**) and short term rating to '**SMERA A4+**' (**read as SMERA A four plus**) from '**SMERA A4**' (**Read as SMERA A four**). The outlook is '**Stable**'.

Veeckay Plast (VP), established in 1996, is a Jaipur-based partnership firm engaged in the manufacturing of High density Polyethylene (HDPE) pipes and sprinklers systems at Rajasthan. Further, the firm also manufactures and exports a wide variety of underground warning tapes (fibre optic, detectable warning tape and others).

Key Rating Drivers

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 in the industry. Mr. Sanjay Godika, the CEO has three decades of experience in the pipe industry.

Reputed clientele

The firm caters to Bharat Sanchar Nigam Ltd. (BSNL), Railtel Corporation of India Limited, Power Grid Corporation of India Limited and Western Coalfields Limited. The firm sources plastic granules for manufacturing of HDPE pipes from GAIL and Indian Oil Corporation.

Moderate financial risk profile

The moderate financial profile is marked by net worth of Rs.10.37 crore (includes unsecured promoter loan of Rs.3.12 crore) in FY2017 compared to Rs.9.63 crore (includes unsecured promoter loan of Rs.3.12 crore) in FY2016. The Interest Coverage Ratio improved to 1.60 times in FY2017 and 1.34 times in FY2016. The Debt Equity ratio improved to 1.84 times in FY2017 from 2.01 times in FY2016. The Debt Service Coverage Ratio (DSCR) improved to 1.57 times in FY2017 from 1.34 times in FY2016.

Weaknesses

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Assets (GCA) days of 234 in FY2017 as against 306 in FY2016. The high GCA days is marked by high debtors of 163 days

in FY2017 and 217 days in FY2016.

Tender driven business

The operations are tender-based with revenue susceptible to the number of tenders won by the firm. However, the extensive experience of the partners and established relations with clients, partially mitigate this risk.

Highly competitive and fragmented industry

The firm is exposed to intense competition in the pipe industry due to low entry barriers and a large number of unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of VP to arrive at this rating.

Outlook: Stable

SMERA believes that the firm's outlook will remain 'Stable' owing to its long track record 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 - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	48.21	34.42	46.37
EBITDA	Rs. Cr.	4.20	3.66	3.67
PAT	Rs. Cr.	1.35	0.87	1.01
EBITDA Margin	(%)	8.72	10.64	7.91
PAT Margin	(%)	2.79	2.54	2.18
ROCE	(%)	14.40	15.35	31.38
Total Debt/Tangible Net Worth	Times	1.84	2.01	1.46
PBDIT/Interest	Times	1.60	1.34	1.42
Total Debt/PBDIT	Times	4.16	4.34	3.55
Gross Current Assets (Days)	Days	234	306	253

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
01-Feb, 2017	Cash Credit	Long Term	7.50	SMERA BB-/ Stable (Assigned)
	Cash Credit	Long Term	12.00	SMERA BB-/ Stable (Assigned)
	Bank Guarantee	Short Term	7.50	SMERA A4 (Assigned)
	Letter of Credit	Short Term	1.00	SMERA A4 (Assigned)
	Bank Guarantee	Short Term	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	Not Applicable	Not Applicable	Not Applicable	12.00 (enhanced from 7.50)	SMERA BB/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BB/Stable (Upgraded)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	8.00 (enhanced from 7.50)	SMERA A4+ (Upgraded)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA A4+ (Upgraded)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+ (Upgraded)

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smerra.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.smerra.in) for the latest information on any instrument rated by SMERA.