

Press Release

Veeekay Plast

April 09, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 53.40 Cr. (Enhanced from Rs. 41.00 Cr.)
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed and assigned the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 53.40 crore bank facilities of Veeekay Plast (VP). The outlook is '**Stable**'.

VP, established in 1996, is a Jaipur-based partnership firm engaged in the manufacturing of High Density Polyethylene (HDPE) pipes and sprinklers systems in Rajasthan. Further, the firm also manufactures and exports a wide variety of underground warning tapes (fiber optic, detectable warning tape and others). The manufacturing facility is located at Rajasthan with has installed capacity of 2910 MT per month.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management and established track record of operations**

VP was established in 1996 and has established presence of over two decades in the said line of business. The firm has established the market for its products and services. 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 Limited (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.12.75 crore (includes unsecured promoter loan of Rs.3.32 crore) in FY2018 compared to Rs.10.37 crore (includes unsecured promoter loan of Rs.3.12 crore) in FY2017. Debt-Equity ratio stood at 2.13 times in FY2018 and 1.84 times in FY2017. Interest Coverage Ratio improved to 1.83 times in FY2018 and 1.60 times in FY2017. Debt Service Coverage Ratio (DSCR) improved to 1.78 times in FY2018 from 1.59 times in FY2017.

Weaknesses

- Working capital intensive nature of operations**

The working capital intensive nature of operations of the firm is marked by high Gross Current Assets (GCA) of 236 days in FY2018 as compared to 234 days in FY2017. The GCA days stood high due to elongation in debtor days to 202 in FY2018 as compared to 163 in FY2017. The working capital facility utilisation also stood high at 95.25 percent for last six months ending February 2019.

- **Highly competitive and tender base nature of business**

The firm is exposed to intense competition in the pipe industry due to low entry barriers and a large number of unorganised players. Further, the operations are tender-based with revenues 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.

Liquidity Position:

VP has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The generated cash accruals stood at Rs.1.13-2.51 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.10-0.26 crore over the same period. VP's operations are highly working capital intensive as marked by gross current asset (GCA) days of 236 in FY2018, resulting in higher reliance on working capital borrowings. The working capital limit of the firm remains 95.25 percent utilised during the last six month period ended February 2019.

The company maintained unencumbered cash and bank balances of Rs.0.76 crore as on March 31, 2018. The current ratio stood low at 1.06 times as on March 31, 2018. The company is about to incur capex of Rs.4.50-5.00 crore over the next two years which is to be funded by external borrowing of Rs.4.40 crore and rest from internal accruals and promoters funding. Acuité believes that the liquidity is likely to remain moderate over the medium term on account of moderate cash accrual vis-à-vis debt repayment obligations.

Outlook: Stable

Acuité believes that VP will maintain a 'Stable' outlook over the medium term on account of its partners' extensive experience and healthy relationship with existing clients. The outlook may be revised to 'Positive' if the company is able to sustain growth in revenues while maintaining its profitability and improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management leading to deterioration of its financial risk profile and liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	75.72	48.21	34.42
EBITDA	Rs. Cr.	3.71	4.20	3.66
PAT	Rs. Cr.	1.97	1.35	0.87
EBITDA Margin	(%)	4.90	8.72	10.64
PAT Margin	(%)	2.61	2.79	2.54
ROCE	(%)	14.41	14.40	15.35
Total Debt/Tangible Net Worth	Times	2.13	1.84	2.01
PBDIT/Interest	Times	1.83	1.60	1.34
Total Debt/PBDIT	Times	4.91	4.16	4.34
Gross Current Assets (Days)	Days	236	234	306

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Apr-2018	Cash Credit	Long Term	12.00	ACUITE BB / Stable (Upgraded)
	Cash Credit	Long Term	12.00	ACUITE BB / Stable (Upgraded)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Upgraded)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Upgraded)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Upgraded)
01-Feb-2017	Cash Credit	Long Term	7.50	ACUITE BB- / Stable (Assigned)
	Cash Credit (EDFS)	Long Term	12.00	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	7.50	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Assigned)
	Bank Guarantee (EDFS)	Short Term	8.00	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.40	ACUITE BB / Stable (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Rupesh Patel Analyst - Rating Operations Tel: 022-49294032 rupesh.patel@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.