

## Press Release

Veekay Plast

August 03, 2022

## Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	-	ACUITE A4+   Reaffirmed
Bank Loan Ratings	38.40	ACUITE BB   Stable   Reaffirmed	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	53.40	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

## Rating Rationale

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

### Rationale for Reaffirmation

The rating on VP takes into account the growth expected in the operating income and stability in operating margins over the medium term. The rating is supported by the experienced management, long track record of operations and above average financial risk profile. These strengths are, however, partly offset by the Raw Material Supply Risk, decline in Profitability margin and unhedged exposure and highly competitive and tender based nature of business.

### About the Company

Veekay Plast (VP) is a Jaipur-based partnership firm established in 1996 and is engaged in the manufacturing of High Density Polyethylene (HDPE) pipes, Double wall corrugated (DWC) pipes and Medium Density Polyethylene (MDPE) pipes catering to telecom, gas and water segment. Further, the firm are also a Del Credere Associates cum Consignment stockists for Indian Oil Corporation Limited (IOCL) for marketing of polymer in Rajasthan state. The manufacturing facility is located in Rajasthan with a total capacity of 3950 MT per month.

### Analytical Approach

For arriving at its rating, Acuite has considered the standalone business and financial risk profile of Veekay Plast to arrive at this rating.

### Key Rating Drivers

#### Strengths

##### Experienced Management

The promoter of Veekay Plast (VP), Mr. Vijay Kumar Katiyar, Mrs. Reema Godikar and Mr. Vimal Katiyar have more than two decades of experience in the pipe industry. Further, having more than two decades of operational track record has helped the firm to maintain to

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establish strong relations with its customers as well as with its suppliers and also maintain strong market position.

### **Improved Operating income**

VP reported operating income of Rs. 97.63 Cr in FY2022 (Prov.) as against Rs. 71.42 Cr in FY2021 (Audited).

### **Moderate Financial Risk Profile**

VP has Moderate financial risk profile marked by moderate net worth and moderate debt protection metrics. VP's net worth stood at Rs. 38.42 Cr as on 31st March 2022(Prov.) as against Rs. 36.78 Cr as on 31st March 2021 (Audited). Gearing levels (debt-to-equity) stood at 0.96 times as on March 31, 2022 as against 0.99 in FY 2021 (Audited). Gearing ratio in FY 22 increased due to additional on boarding of debt. Further, the interest coverage ratio stood moderate at 1.87 times for FY2022 (Prov.) as against 1.72 times in FY2021. However, Debt service coverage ratio moderated and stood at 1.29 times in FY2022 (Prov.) in comparison to 1.72 times in FY2021 (Audited).

### **Weaknesses**

#### **Improved yet Intensive working capital operations**

Working capital requirements of the firm improved yet intensive as evident from gross current assets (GCA) of 265 days for FY2022 (Prov.) as against 369 days for FY2021. Further, debtors' days stood at 168 days as on 31 March 2022(Prov.) as against 225 days in previous year. Inventory days are 88 days in FY 22 in comparison to 138 days in FY 2021. Current Ratio stood at 1.67 times as on 31 March 2022(Prov.) as against 1.62 in the previous year. Average Bank Limit Utilization for last 6 months stood at 94.75%

#### **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 unorganized 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.

### **Rating Sensitivities**

- Significant improvement in operating performance of the firm leading to improvement in overall financial risk profile
- Any deterioration in its liquidity leading to deterioration in debt protection metrics.
- Improvement in working capital cycle.
- Sacrificity and Competitive price of Raw material

### **Material covenants**

None

### **Liquidity Position**

#### **Adequate**

Firm has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. Firm generated cash accruals of Rs. 4.17 crore for FY2022 (Prov.) as against Rs.2.17 crore of repayment obligations for the same period. Further Firm has Fixed deposits of 1.22 crores as on March 31, 2022. Current Ratio stood at 1.67 times as on 31 March 2022(Prov.) as against 1.62 times in the previous year. Therefore, firm has adequate liquidity to meets its requirements.

### **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 firm 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.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	97.63	71.42
PAT	Rs. Cr.	2.72	2.13
PAT Margin	(%)	2.79	2.98
Total Debt/Tangible Net Worth	Times	0.96	0.99
PBDIT/Interest	Times	1.87	1.72

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

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 May 2021	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BB   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	4.75	ACUITE BB   Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BB   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.31	ACUITE BB   Stable (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Working Capital Term Loan	Long Term	1.20	ACUITE BB   Stable (Assigned)
	Term Loan	Long Term	3.14	ACUITE BB   Stable (Reaffirmed)
05 Mar 2020	Letter of Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	4.40	ACUITE BB   Stable (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BB   Stable (Reaffirmed)

09 Apr 2019	Term Loan	Long Term	4.40	ACUITE BB   Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BB   Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Reaffirmed)
16 Apr 2018	Cash Credit	Long Term	12.00	ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable)
	Cash Credit	Long Term	12.00	ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Upgraded from ACUITE A4)
		Long		
01 Feb 2017	Cash Credit	Term	7.50	ACUITE BB-   Stable (Assigned)
	Cash Credit	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	Short Term	8.00	ACUITE A4 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4+   Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+   Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB   Stable   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.75	ACUITE BB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	28-01-2018	10.10	28-06-2025	3.14	ACUITE BB   Stable   Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Demand Loan (WCDL)	26-08-2020	7.25	26-08-2022	1.20	ACUITE BB   Stable   Reaffirmed
State Bank of India	Not Applicable	Working Capital Term Loan	01-08-2020	9.25	01-07-2024	3.31	ACUITE BB   Stable   Reaffirmed

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### About Acuité Ratings & Research

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