



Press Release

Veekay Plast

July 26, 2023

Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	36.40	ACUITE BB+ Stable Upgraded	-
Bank Loan Ratings	17.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	53.40	-	-

Rating Rationale

Acuite has Upgraded its long-term rating from 'ACUITE BB' (read as ACUITE double B) to 'ACUITE BB+' (read as ACUITE double B Plus) and reaffirmed its 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 Rating Action

Acuite factors in experienced management, Improvement in Business, Moderate financial risk profile and adequate liquidity profile of the firm

The revenue from operations of the firm witnessed improvement to Rs. 109.25 crore in FY2023 (Provisional) as against Rs. 97.63 crore in FY2022. The operating profit margin of the company improved to 8.22 percent in FY2023 (Provisional) as against 6.83 percent in FY2022 on account of lower input cost resulting improvement in Operating margin. Similarly, PAT Margin improved & stood at 3.40 Percent in FY 2023(Prov.) as against 2.29 percent in FY 2022. Coupled to this coverage indicators improved in FY 23(Prov.)

Acuite believes that the firm will grow its scale of operations in the volume terms and improve profitability while maintaining a healthy capital structure.

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 facilities are located in Rajasthan and Hyderabad with a total capacity of 60 to 70 Ton per day.

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

Business risk profile-Improvement

VP's revenue improved which is apparent from growth in revenue from operations by ~11.90% in FY2023 (Prov.) to Rs.~109.25 crore as against Rs. 97.63 crore in FY2022. (overall ~ 53 percent increase in last three years FY 21 to FY 23). Firm has booked revenue of Rs~21 crore in first three months of FY 24. Expected revenue for FY 24 is Rs ~ 125 to 130 crore. Firm has total orders in hand Rs~71 crores are to be executed by end of next 2-3 Months.

The operating profit margin of the firm improved by 139 bps in FY 23(Prov.). Operating Profit Margin of firm stood at 8.22% in FY2023 (Prov.) as against 6.83% in FY2022. Likewise, the net profit margin of the firm improved by 111 bps and stood at 3.40 percent in FY2023 (Prov.) as against 2.29 percent in FY2022.

Financial Risk Profile- Moderate

Firm has moderate financial risk profile marked by moderate net worth and moderate debt protection metrics. Firm's net worth stood at Rs~41.97 Cr as on 31st March 2023(Prov.) as against Rs.~38.42 Cr as on 31st March 2022. Networth improved on account of Profit accretions. Firm follows conservative leverage policy. Gearing levels (debt-to-equity) witnessed improvement by 14 bps and stood below unity at 0.82 times as on March 31, 2023 (prov.) as against 0.96 times in FY 2022.

Further, the interest coverage ratio improved by 14 bps and stood moderate at 1.90 times for FY2023 (Prov.) as against 1.76 times in FY2022. Likewise Debt Service coverage ratio witnessed minuscule improvement of 4 bps and stood moderate at 1.26 times for FY2023 (Prov.) as against 1.22 times in FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 1.32 times as on FY2023 (Prov.) vis-à-vis 1.42 times as on FY2022. Debt-EBITA improved to 3.20 times as on 31st March 2023 (Prov.) as against 4.35 times as on 31st March 2022.

Weaknesses

Working capital operations- Intensive

Firm has improved yet intensive working capital requirements as evident from gross current assets (GCA) of 250 days in FY2023 (prov.) as compared to 264 days in FY2022. Intensiveness of the working capital is due to high debtor days. Debtor days improved by 17 days and stood at 150 days in FY2023 (167 days in FY2022). Inventory days moderated by 5 days and stood at 94 days in FY2023 (Prov.) as against 89 days in FY2022. Current ratio of firm stood at 1.63 times as on March 31, 2023 (Prov.).

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.

Sacrificing and Competitive price of Raw material

Liquidity Position

Adequate

Firm has adequate liquidity marked by net cash accruals, Current Ratio, Bank Balances. Firm generated cash accruals of Rs. 5.08 crore for FY2023 (Prov.) against Rs 2.89 crore debt obligations. Current Ratio stood at 1.63 times as on 31 March 2023 (Prov.) as against 1.66 times in the previous year. Cash and Bank Balances of firm stood at Rs 0.19 crores. Further Fund based Bank Limit Utilization in 12 months ended March 23 was ~94 percent. The liquidity of the company is expected to improve as firm is expected to generate cash accruals in the range of Rs. 8 Cr. to 10 Cr. against debt obligation of Rs 2 to 2.5 crore will also support the liquidity of the company.

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 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.

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	109.25	97.63
PAT	Rs. Cr.	3.72	2.23
PAT Margin	(%)	3.40	2.29
Total Debt/Tangible Net Worth	Times	0.82	0.96
PBDIT/Interest	Times	1.90	1.76

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Aug 2022	Bank Guarantee	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	3.14	ACUITE BB Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	1.20	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	4.75	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.31	ACUITE BB Stable (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BB Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed)
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	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)
	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A4+ Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A4+ Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BB+ Stable Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE BB+ Stable Upgraded
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.97	ACUITE BB+ Stable Upgraded
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.49	ACUITE BB+ Stable Upgraded
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.37	ACUITE BB+ Stable Upgraded
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	2.91	ACUITE BB+ Stable Upgraded
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.66	ACUITE BB+ Stable Upgraded

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Himanshu . Senior Analyst-Rating Operations Tel: 022-49294065 himanshu.mehta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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