



Press Release
Veekay Plast
October 23, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.80	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	2.40	-	ACUITE A4+ Assigned
Bank Loan Ratings	22.60	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	55.80	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BB+**’ (read as **ACUITE double BPlus**) 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**’.

Acuite has assigned short term rating of ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) on the enhanced amount of Rs.2.40 crore bank facilities of Veekay Plast (VP).

Rationale for Rating

The rating factors in benefits being derived from experienced management and the stable business risk profile, moderate financial risk profile and adequate liquidity profile of the firm. Despite a small scale of operations, the revenue from operations of the firm witnessed slight improvement to Rs. 117.30 crore in FY2024 as against Rs.109.25 crore in FY2023. The operating profit margin of the firm improved to 10.80 percent in FY2024 as against 7.61 percent in FY2023 on account of lower input cost resulting in a change in policy of procuring indigenous raw materials. The sustainability of growth of this profitability remains monitorable, since the industry is subject to pressure on margin due to volatility in pricing of raw materials. The financial risk profile was moderate marked by healthy capital structure and debt protection metrics. The rating is being constrained by working capital nature of business and presence in a 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 facilities are located in Jaipur, Rajasthan and Hyderabad, Telangana with a total capacity of 60 to 70 Ton per day.

Unsupported Rating

Not Applicable

Analytical Approach

For arriving at its rating, Acuité has considered the standalone business and financial risk profile of Veekay Plast.

Key Rating Drivers

Strengths

Benefits derived from Experienced Management

The partners of Veekay Plast (VP), Mr. Vijay Kumar Katiyar, Mrs. Reema Godika and Mr. Vimal Katiyar have more than two decades of experience in the pipe industry. Having more than two decades of operational track record has helped the firm to maintain and establish strong relations with its customers as well as with its suppliers. The firm is also setting up an 8 MW solar power plant driven by business acumen of the partners. Acuite believes that the firm will leverage benefits from the experienced management over the medium term.

Stables business risk profile

Despite small scale of operations, VP's revenue improved by ~7.37% to Rs. 117.30 crore in FY2024 as against Rs. 109.25 crore in FY2023. The Firm has booked revenue of about Rs 40.46 crore in first six months ended September 2024. Firm has total orders in hand Rs 60.47 crore which are to be executed over the next 3-4 months. Operating Profit Margin of firm stood at 10.80% in FY2024 as against 7.61% in FY2023 due to change in inventory procurement policy; i.e. largely imports to mix of import and domestic procurement resulting in cost rationalization of raw material. As a result of the same, the net profit margin of the firm improved and stood at 6.12 percent in FY2024 as against 2.66 percent in FY2023.

Moderate Financial Risk Profile

Firm's financial risk profile is marked by moderate net worth and debt protection metrics. Firm's net worth stood at Rs. 35.81 Cr. as on 31st March 2024 as against Rs. 40.67 Cr. as on 31st March 2023. Net worth decreased as the firm has reduced the levels of unsecured loans being treated as quasi equity from Rs. 15.95 Cr. in FY2023 to Rs. 6.96 Cr. in FY2024 and also withdrawn some monies. Gearing levels (debt-to-equity) stood below unity at 0.90 times as on March 31, 2024 as against 0.84 times in FY 2023. Gearing Ratio is expected to increase due to capex plans for setting up an 8 MW solar power plant for which the firm is planning to take around Rs. 25 Cr. as term debts. As on 31 March 2024, the total debt outstanding of the firm is Rs. 32.20 crore which consists of Short term working capital borrowings of Rs. 27.60 crore, long term loans of Rs 2.15 crore and Current Maturities of long term debt of Rs 2.46 crore. Further, the interest coverage ratio improved and stood moderate at 2.28 times for FY2024 as against 1.75 times in FY2023. Likewise, Debt Service coverage ratio witnessed improvement and stood moderate at 1.55 times for FY2024 as against 1.16 times in FY2023. The improvement in DSCR and ICR is majorly due to profit accretion. Total outside liabilities to total net worth (TOL/TNW) stood at 1.27 times as on FY2024 vis-à-vis 1.37 times as on FY2023. Debt-EBITA improved to 2.15 times as on 31st March 2024 as against 3.46 times as on 31st March 2023. Acuite believes that the financial risk profile of the firm is expected to continue to remain moderate over the medium term.

Weaknesses

Working capital operations- Intensive

Firm has improved yet intensive working capital requirements as evident from gross current assets (GCA) of 184 days in FY2024 as compared to 241 days in FY2023. The debtor days remained high but improved to 108 days in FY2024 as compared to 151 days in FY2023. The reason for the improvement is better realization against which they have timely paid the creditors too. Inventory days remain range bound and stood at 81 days in FY2024 as compared to 90 days in FY2023, as the firm maintains inventory on order basis and pricing decisions. Current ratio of the firm stood at 1.42 times as on March 31, 2024 as against 1.50 times as on March 31, 2023. Acuite believes that the operations of the firm are expected to remain working capital intensive over the medium term due to nature of business.

Exposure to Highly competitive and tender base nature of business along with pressure on margin due to volatility of raw material pricing

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. Also, the majority of clients are government entities so the realizations might get delayed but are not irrecoverable. Furthermore, the raw material is linked to pricing of crude oil. Any volatility in pricing of raw material may lead to pressure on margin. The sustainability of improved margins of the business remains a key monitorable over the medium term.

Rating Sensitivities

- Movement in operating revenues
- Sustainability of margins
- Working capital cycle.

Liquidity Position

Adequate

Firm has adequate liquidity marked by sufficient net cash accruals against maturing debt obligations, moderate

current ratio, albeit debt funded capex plans, withdrawal of monies from business and high reliance on bank funding for meeting working capital requirements. Firm generated cash accruals of Rs. 8.41 crore for FY2024 against Rs. 3.10 crore debt obligations. Current Ratio stood at 1.42 times as on 31 March 2024 as against 1.50 times in the previous year. The Cash and Bank Balances of firm stood at Rs 0.12 crore as on March 31, 2024. Also, firm has debt funded capex plans over the medium term of Rs. 25 cr. The partners also withdraw monies from capital account as well as unsecured loans leading to reduced fund fungibility in business. Also, fund based Bank Limit Utilization in 6 months ended September 2024 was ~97 percent. Acuite believes that the liquidity would remain adequate due to steady cash accruals, moderate current ratio albeit high reliance on bank limits, withdrawal of monies and debt funded capex plan over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	117.30	109.25
PAT	Rs. Cr.	7.18	2.90
PAT Margin	(%)	6.12	2.66
Total Debt/Tangible Net Worth	Times	0.90	0.84
PBDIT/Interest	Times	2.28	1.75

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.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>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
26 Jul 2023	Cash Credit	Long Term	12.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	1.49	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Cash Credit	Long Term	16.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Working Capital Term Loan	Long Term	1.37	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Working Capital Term Loan	Long Term	2.91	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Proposed Long Term Bank Facility	Long Term	0.97	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Working Capital Term Loan	Long Term	1.66	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Bank Guarantee (BLR)	Short Term	8.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	8.00	ACUITE A4+ (Reaffirmed)
03 Aug 2022	Bank Guarantee (BLR)	Short Term	8.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	3.14	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.31	ACUITE BB Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1.20	ACUITE BB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	4.75	ACUITE BB Stable (Reaffirmed)
21 May 2021	Letter of Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	8.00	ACUITE A4+ (Reaffirmed)
	Working Capital Term Loan	Long Term	3.31	ACUITE BB Stable (Assigned)
	Working Capital Term Loan	Long Term	1.20	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	3.14	ACUITE BB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	4.75	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	14.00	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	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	13.60	Simple	ACUITE A4+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE A4+ Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.40	Simple	ACUITE A4+ Assigned
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.00	Simple	ACUITE BB+ Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	ACUITE A4+ Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Nov 2025	0.52	Simple	ACUITE BB+ Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	04 Nov 2026	1.09	Simple	ACUITE BB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Oct 2026	1.19	Simple	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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