

**Vikas EcoTech Limited (Revised)**

December 17, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	23.50 (Reduced from 37.55)	CARE BB (RWN)	Continues to be on Rating Watch with Negative Implications
Long Term / Short Term Bank Facilities	11.50 (Reduced from 17.45)	CARE BB / CARE A4 (RWN)	Continues to be on Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

**Rationale and key rating drivers**

The ratings continue to be under rating watch with negative implications (RWN) factoring in the appointment of forensic auditor by SEBI (Securities and Exchange Board of India) with respect to the financial statements of the company for the period commencing from FY 2018-19 to FY 2021-22 as SEBI believes that the business transactions of the company have not been properly dealt with in the financial disclosures. CARE shall review the ratings once more clarity emerges from its impact following the completion of audit exercise. Further, CARE has also taken the cognizance of the search operations, which were initiated by the Income Tax Department in connection with some other assessee on the company premises. Additionally, VEL has acquired Shamli Steel Private limited (SSPL) at the Enterprise Value (EV) of Rs. 160 crores through share swap deal. CARE shall review the ratings once more clarity with respect to operational aspects and impact on financials would emerge upon completion of the consolidation.

The ratings of VEL continue to remain constrained by working capital intensive nature of operations resulting in high working capital utilisation, moderate and fluctuating profitability margins, volatility in the raw material prices and foreign exchange price fluctuation risk. Further, the ratings are also contained with the company's venturing into the real estate segment with substantial investment made in FY24 (refers to the period from April 01, 2023, to March 31, 2024). The ratings, however, derive strength from wide range of products, reputed customer base, comfortable capital structure and debt coverage indicators. The ratings also draw comfort from long track record of operations of the company in the chemical business along with a wide variety of products.

**Rating sensitivities: Factors likely to lead to rating actions**
**Positive factors**

- Improvement in liquidity marked by improvement in operating cycle below 130 days resulting in lower utilization of working capital limits.
- Sustenance in scale of operations along with PBILDT margins above 7% on a sustained basis.

**Negative factors**

- Significant increase in working capital requirement and resultant weakening of liquidity position of the company.
- Decline in scale of operations with PBILDT margins below 4.5%.
- Any materially adverse outcome of the forensic audit having an adverse impact on the business and/or financial risk profile of the company.

**Analytical approach: Consolidated**

CARE Ratings Limited has taken a consolidated approach for analysing VEL which has one wholly owned subsidiary namely Vikas Organics Private Limited (VOPL) which is into similar line of business along with common management. The change in analytical approach from standalone to consolidated is primarily on account of VEL acquiring 100% stake in VOPL during Q4FY24 (refers to the period from January 01, 2024 to March 31, 2024). The list of entities consolidated is given in **Annexure-6**.

**Detailed description of key rating drivers:**
**Key Weaknesses**
**Working capital intensive nature of operations:**

The operations of the company at consolidated level are working capital intensive as reflected by high operating cycle of 171 days in FY24 (PY: 166 days). The same was largely on account of due to elongated collection period of 158 days (PY:129 days). The company has significant dependence on working capital borrowings for its day-to-day operations resulting in average working capital utilisation of about 85%-90% for the last 12 months ended October 31, 2024.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Volatility in raw material prices and foreign exchange fluctuation risk:**

The company at consolidated level is engaged in manufacturing of polymers and special additives. Major raw material used are crude derivatives, which are actively traded thereby making the price vulnerable to fluctuations. Adverse movement in raw material prices can affect the firm's margin adversely. Though less, the company(standalone) imported raw material of about 11% in FY24 exposing it to foreign exchange price fluctuation risk. The company does not have policy to hedge the forex exposure. Moreover, the company is involved in trading of steel, TMT bars and coal and even going forward, as the company aims to enter the manufacturing segment of TMT Bars and Billets, the risk of price fluctuation still pertains. Steel and Coal are also actively traded leading to fluctuation in prices and thereby impacting the margins of the company.

**Decline in scale of operations with fluctuating profitability margins**

The total Operating Income (TOI) of the company at consolidated level fell from Rs 402.67 crores in FY23 to Rs 258.73 crores in FY24 on account of reduced income from trading activity due to limited value addition from the segment. The income in the manufacturing segment of chemical also fell marginally in FY24 on account of subdued demand from the market. The revenue from Infra & Energy (Trading) fell from Rs 254.91 crores in FY23 to Rs 121.76 crores in FY24 as the company aims to focus on manufacturing of both the polymers segment and steel segment. To implement the same, Vikas Ecotech Ltd has acquired 100% of the shares of Shamli Steels Private Limited (SSPL) in Q1FY25 (refers to the period from April 01, 2024 to June 30, 2024), which is in the manufacturing of steel bars and billets. The PBILDT margin improved from 5.44% to 6.31% in FY24 on account of improved realisations from the chemical and additives segment.

The company's TOI at consolidated level though has improved in H1FY25 to Rs 192.31 crore with PBILDT and PAT margin of 4.68% and 6.88%.

**Substantial Investment in the Real Estate Segment:**

The company in FY24 have utilised the proceeds from liquidation of debtors and other current assets along with funds raised from capital market to venture into the real estate segment which is relatively new at the promoters' end. VEL has invested Rs Rs 199 crores as on March 31, 2024 (~55% of tangible net-worth as on March 31, 2024) for the same. The estimated cost of project is yet to be ascertained. After conducting comprehensive assessments and feasibility studies to establish a precise project cost and accordingly remaining contribution of the company shall be decided at appropriate stages in the project development as required from time to time and development over these projects will be a key factor for VEL.

**Key Strengths**
**Comfortable financial risk profile and moderate debt coverage indicators**

The company has a comfortable financial risk profile at consolidated level characterised by comfortable overall gearing and debt coverage indicators. The capital structure of the company at consolidated level remained comfortable marked by an overall gearing of 0.05x as on March 31, 2024 (PY: 0.26x). The interest coverage of the company stood moderate at 2.38x as on March 31, 2024, as against 2.06x as on March 31, 2023. The total debt to GCA stood at 1.88x as on March 31, 2024, as against 4.58x as on March 31, 2023.

**Wide range of products:**

VEL is engaged in manufacturing of a variety of high-end speciality chemical products which includes Organotin Stabilizers, Plasticizers, Dimethyl Tin Dichloride, Ethylene Vinyl Acetate (EVA) Compounds, Thermoplastic Rubber (TPR) Compounds, Thermoplastic Elastomer (TPE) Compounds among others. It caters to varied clients across industries. The end-user industries which use the products manufactured by VEL are agriculture, automotive, cables and electrical, healthcare and hygiene, polymers, packaging, footwear, and infrastructure. This reduces the risk associated with a decline in demand from any one industry segment. Moreover, the company is also involved into trading of TMT bars, HR Coils and Coal which further add to diversification of revenue profile.

**Long term association with customers and suppliers with reputed customer base**

VEL sells its products to various industries. Around 61% of the sales of the company(standalone) is derived by top 10 customers of the company (PY: 73%). Further, the company was able to mitigate the customer concentration risk as compared to previous year where 58% of the revenue came from two customers. Also, the clientele of the company(standalone) is diversified and reputed, which helps mitigate the counterparty credit risk to an extent.

**Liquidity: Stretched**

The liquidity position of the company(consolidated) remains stretched owing to high average utilization in the working capital limits ~85-90% for past 12 months ending October 31, 2024. Further, the operating cycle of the company(consolidated) is elongated with 171 days during FY24 (PY: 166 days) due to high collection period of 158 days in FY24 (PY: 129 days). The company at consolidated level has an expected GCA of Rs 29.54 crore in FY25 against repayment obligations of Rs. 6.16 crore. The company at consolidated level is not planning to incur any major capex in the near to medium term.

## Applicable criteria

[Consolidation](#)  
[Definition of Default](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Rating Watch](#)  
[Manufacturing Companies](#)  
[Financial Ratios – Non financial Sector](#)  
[Short Term Instruments](#)  
[Wholesale Trading](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & Petrochemicals	Specialty Chemicals

Vikas EcoTech Limited (VEL) was started in 1984 as 'Vikas Global One', promoted by Mr Vikas Garg. VEL is a ISO 9001:2015 certified company involved in manufacturing of Speciality Chemicals Additives and Speciality Polymer Compounds which are required by industries such as Footwear, Electrical, Packaging etc. Its manufacturing facility is located in Rajasthan with an installed capacity of ~56000 MT. During FY22, the company ventured into trading of TMT bars, Steel, HR Coils, CR Coils. Further the company started trading of Coal during FY23 and setup a plant in Ghaziabad to manufacture MS Sockets.

Brief Financials (₹ crore) (Consolidated)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	402.67	258.73	192.38
PBILDT	21.92	16.32	9.01
PAT	9.53	6.85	13.23
Overall gearing (times)	0.26	0.05	0.06
Interest coverage (times)	2.06	2.38	5.09

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	23.50	CARE BB (RWN)
Fund-based/Non-fund-based-LT/ST		-	-	-	11.50	CARE BB / CARE A4 (RWN)

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	23.50	CARE BB (RWN)	-	1)CARE BB (RWN) (16-Feb-24) 2)CARE BB (RWD) (20-Oct-23) 3)CARE BB; Stable (06-Sep-23)	-	-
2	Fund-based/Non-fund-based-LT/ST	LT/ST	11.50	CARE BB / CARE A4 (RWN)	-	1)CARE BB / CARE A4 (RWN) (16-Feb-24) 2)CARE BB / CARE A4 (RWD) (20-Oct-23) 3)CARE BB; Stable / CARE A4 (06-Sep-23)	-	-

LT: Long term;LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities : Not applicable****Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based/non-fund-based-LT/ST	Simple

**Annexure-5: Lender details**To view the lender wise details of bank facilities please [click here](#)

## Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Vikas Organics Pvt Ltd	Full	Wholly owned subsidiary of Vikas EcoTech Ltd

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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