

## V K PACKWELL PRIVATE LIMITED

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	59.00	CARE BB+; Stable	Assigned
Long-term / Short-term bank facilities	6.00	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of V K Group [herein referred to V K Packwell Private Limited (VKPWPL) and V K Agriculture Equipments Private Limited (VKAEPPL) on a combined basis] are constrained by modest scale of operations over the past three fiscals ending FY24 (refers to the period April 01 to March 31), weak financial risk profile with group's higher reliance on external borrowings thereby leading to moderate debt coverage indicators, working capital intensive nature of operations and stretched liquidity position. The ratings are also constrained by susceptibility of profitability to volatile raw material prices, exposure to foreign currency fluctuation risk along with competitive and cyclical nature of agriculture industry.

The ratings, however, derive comfort from extensive experience of the promoters and long track record of operations in the agriculture industry and healthy profit margins from the patented technology of manufacturing irrigation pipes at a lower cost.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Consistent improvement in scale of operations marked by total operating income (TOI) above Rs.200 crore on a sustainable basis while maintaining the current profitability margins.
- Improvement in overall gearing below 1.50x on a sustainable basis.
- Steady cash flow from operations leading to improvement in liquidity on a sustained basis.

#### Negative factors

- Increase in operating losses leading to further deterioration in overall gearing beyond 2.50x on a sustainable basis.
- Weakening of liquidity position marked by depleting free cash balance.

### Analytical approach: Combined

While arriving at the ratings of VKPWPL and VKAEPL, CARE Ratings has taken a combined view of both the companies since both the entities are engaged in a similar line of business, have operational and financial linkages, common promoters and common management personnel. List of group companies considered for combined financial statements are mentioned in **Annexure 6**.

### Outlook: Stable

The 'Stable' outlook reflects CARE Ratings' expectation of sustained operational profile of the V K Group due to extensive experience of promoters and long track record of operations.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Modest scale of operations

The group's operational performance is closely linked to the overall growth of the agriculture industry, favourable environmental conditions, and supportive government policies, given its focus on manufacturing agricultural equipment. Until FY22, the group's revenue was solely derived from VKPWPL, as VKAEPL began commercial operations only in FY23. The group's scale of operations remained stagnant over the past three fiscals ending FY24, however, the group has witnessed ~15% growth in last fiscal. Additionally, same is expected to grow in FY26 with management's plan to introduce a licensing model, allowing other manufacturers to produce patented pipes under the license, with royalties paid to the V K group.

### Weak financial risk profile and moderate debt coverage indicators

The capital structure of the group stood moderate due to low net worth base of Rs.53.82 crore as on March 31, 2024 and higher dependence on external debt i.e., Rs.102.38 crore as on March 31, 2024, resulting in overall gearing of 1.90x as on March 31, 2024, as against (PY: 1.83x). The company utilises around 95%-100% of its sanctioned working capital limits along with unsecured business loans due to which interest cost is high, resulting in moderate debt coverage indicators, reflected by interest coverage ratio and total debt to gross cash accruals (GCA) of 3.56x and 5.51x respectively as on March 31, 2024, (PY: 5.95x and 4.27x).

<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.

**Working capital intensive nature of operations**

The group's operations are inherently working capital intensive, primarily due to higher inventory and receivable cycle. The group needs to maintain adequate raw material to ensure a smooth production process and finished goods to meet the bulk demand of dealers during peak seasons, due to which inventory of 75-90 days is maintained. Furthermore, the company's revenue is derived from sales to distributors, local farmers, and e-commerce platforms, with sales typically made on a 30-day credit period. Besides this, the large working capital requirements are met through fund based working capital facilities, which were fully utilised (~95% -100%) for the trailing 12 months ended in February 2025.

**Susceptibility of margins to volatility in prices of raw material and exposure to foreign exchange risk**

The primary raw material used for production is plastic granules, whose prices are subject to fluctuations in crude oil prices. The raw material cost constitutes ~66% of TOI, thus exposing the group to volatility in the prices of raw material which has a bearing on its profitability margins. Additionally, the group imports ~3-4% of its raw material, thus exposing it to foreign exchange risk.

**Competitive and cyclical nature of the agriculture industry**

The manufacturing of agro-processed products varies over the course of each year, reflecting seasonal changes in the availability of raw materials. The effects of the monsoon and weather in India, including flooding, droughts and subsequent crop harvesting can be more severe in India than in other countries. MIS (micro irrigation system) and agro processing are subject to risks associated with the vagaries of nature, seasonality and government policies. VK group's performance is dependent on the seasonality in agriculture sector. With around 46% of the arable land in India still being rain-fed and the problem of water scarcity prevailing in the country, there is potential for the growth of MIS in the nation. However, the group operates in the irrigation equipment manufacturing industry with large number of organised and unorganised players. The highly fragmented nature of the industry restricts the pricing flexibility and bargaining power of the players in the market.

**Key strengths****Healthy profitability margins**

Despite the modest scale of operations, the group's profitability has remained healthy as evidenced by the PBILDT (Profit Before Interest, Lease Rental, Depreciation and Taxation) and PAT (profit after tax) margin of 17.04% and 7.38%, respectively, in FY24. Same is due to the patented technology of products, which results in production at a cheaper cost compared to other players in the industry. Further, with the introduction of new products, company expects profitability to further improve in FY26.

**Experienced and resourceful promoters**

The group is promoted by Mr. Vikesh Kumar Gupta and Ms. Sandhya Rani Gupta. With over 15 years of experience in the irrigation components industry, Ms. Sandhya Rani Gupta (Director) has been part of the group since its inception, overseeing production and dispatch processes. Mr. Sidharth Gupta, from the second generation, is also actively involved in the business, leading product development, sales and marketing and the exports division of the Group.

**Liquidity:** Stretched

The liquidity position of the V K group is stretched as characterised by negative operational cash flow of Rs.23.13 crore during FY24 coupled with low free cash & bank balance of Rs.1.55 crore as on December 31, 2024. Further the average utilisation of fund based working capital borrowings remains high in the range of 95% to 100% for the trailing 12 months ending February 2025, leaving no buffer in case of short-term mismatch in cashflows. Also, the Group has repayment liability of ~Rs. 7.0 crore for term loans and business loans. Further, the group is not planning any major capex in the near midterm.

**Environment, social, and governance (ESG) risks:** Not Applicable**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](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

Incorporated in 2007, VKPWPL is operated and managed by Mr. Vikesh Kumar Gupta and his wife, Ms. Sandhya Rani Gupta, who have over 15 years of experience in the same line of business. The company manufactures agricultural equipments and offers a comprehensive range of irrigation products like rain irrigation system, drip irrigation system, sprinkler irrigation and high-density polyethylene (HDPE) lapeta pipes made from HDPE laminated multilayer woven fabric. The company's products are manufactured according to the BIS (Bureau of Indian standards) norms, and it holds a patent on "Laminated Polyethylene Woven Fabric Pipes" in China and India. The company sells its products to local farmers through, distributors and vendors located across India.

Brief Financials (₹ crore) – V K Group - Combined	March 31, 2023 (UA)	March 31, 2024 (UA)	9MFY25 (UA)
Total operating income	147.62	169.26	123.23
PBILDT	27.14	28.84	22.55
PAT	12.31	12.50	8.26
Overall gearing (times)	1.83	1.90	NA
Interest coverage (times)	5.95	3.56	NA

9MFY25: refers to the period April 01, 2024 to December 31, 2024

UA: Unaudited NA: Not Available; Note: these are latest available financial results

**Basis of combination:** The numbers have been combined through row-by-row addition of all line items of both the entities mentioned under Analytical approach after excluding intra-group purchase/sales, debtors and creditors.

Brief Financials (₹ crore) VKPWPL - Standalone	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	139.79	132.89	123.23
PBILDT	23.98	20.25	14.95
PAT	14.08	10.86	6.30
Overall gearing (times)	0.59	0.98	NA
Interest coverage (times)	14.44	6.55	NA

A: Audited UA: Unaudited NA: Not Available; 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	-	-	-	-	59.00	CARE BB+; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	6.00	CARE BB+; Stable / CARE A4+

**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 2025-2026	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
1	Fund-based - LT/ST-Working Capital Limits	LT/ST	6.00	CARE BB+; Stable / CARE A4+	-	-	-	-
2	Fund-based - LT-Cash Credit	LT	59.00	CARE BB+; Stable	-	-	-	-

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 - LT/ ST-Working Capital Limits	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	V K Agriculture Equipments Private Limited	Full	Operational and financial linkages

**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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