Veljan Denison Limited

July 06, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	30.00	CARE BBB+; Stable	Reaffirmed
Long-term / Short-term bank facilities	3.00	CARE BBB+; Stable / CARE A2	Reaffirmed
Short-term bank facilities	10.00	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

The list of facilities / instruments falling under the purview of various financial sector regulators (FSRs), along with the names of respective FSRs has been disclosed under Annexure-7.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Veljan Denison Limited (VDL) derives strength from stable total operating income (TOI) in FY26 (Abridged, FY refers to April 01 to March 31), healthy profit margins considering highly technical, high pressure hydraulic engineering products, experienced promoters with a long track record of operations, diverse and established relationship with customers, comfortable capital structure and healthy debt coverage indicators and stable industry outlook.

However, ratings are tempered by moderate scale of operations, highly competitive industry with established players holding majority market share, susceptibility to raw material price volatility and working capital intensive operations resulting in elongated operating cycle.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving scale of operations above ₹250 crore while profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of ~20% to 22% on a sustained basis**.**

Negative factors

- Un-envisaged debt programme leading to deterioration in the capital structure, particularly with the company's overall gearing over 0.75x on a sustained basis
- Sustained elongation in operating cycle beyond 250 days.

Analytical approach: Consolidation.

CARE Ratings Limited (CareEdge Ratings), in its analysis, has considered consolidated financials of VDL and its subsidiary Adan Holdings Limited (AHL) as VDL holds 100% stake in AHL and the companies are engaged in similar business. Companies consolidated are listed under Annexure-6.

Outlook: Stable.

The 'Stable' outlook on VDL's ratings reflects CareEdge Ratings expectation to sustain its stable financial risk profile considering the stable demand from the hydraulic equipment sector and extensive experience of promoters with a long track record of operations.

Detailed description of key rating drivers:

Key strengths

Stable TOI with healthy profitability margins in FY26

The company's TOI grew marginally by ~5% to ₹164 crore in FY26 (PY: ₹156 crore), primarily driven by improved sales realisations and product mix of hydraulic pumps and valves. The subsidiary contributed ~₹16 crore (PY: ₹14 crore), accounting for ~10% of the company's revenue in FY26. Although scale of operations gradually improved, supported by sustained demand for hydraulic equipment, it continues to remain moderate.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Profitability remained healthy, with PBILDT and profit after taxation (PAT) margins improving to 24.36% and 15.75%, respectively, in FY26. Healthy margins are supported by the company's in-house computer numerical control (CNC) machining capabilities, which enable high value addition through precision manufacturing of customised hydraulic products, resulting in superior margins compared to industry peers.

Experienced promoters with a long track record of operations

VDL has over five decades of experience in manufacturing hydraulic components. The company was founded by Late VC Janardan Rao, who was a qualified and experienced engineer and has led the company successfully through the years and was responsible for development of many products. The company's operations are managed by Managing Director, Sri Krishna Uppaluri, who has 10+ years of experience across fields of management, data analytics and hydraulic engineering. Promoters are assisted by a qualified team of professionals who take care of the company's day-to-day operations of.

Diverse customer base and established relationship with customers

VDL has a diverse group of customers limiting its over reliance on a single customer. VDL also acters to orders received from its group company Veljan Hydrair Limited (VHL). VHL further sells these products to different companies domestically and internationally. The top 10 customers contributed to 62% of total sales in FY26 with ~34% from its group company VHL. The company's diversified customer profile and long-standing association with reputed customers support revenue stability.

Comfortable capital structure and healthy debt coverage indicators

The company's capital structure consists of only working capital borrowings. The company's overall gearing ratio stood below unity , below 0.01x considering a negligible reliance on debt compared to a high net worth of ₹247 crore as on March 31, 2026. Interest coverage ratio remains high at 68.23x in FY26 considering low interest charge. Other debt coverage indicators marked by total debt to gross cash accruals (TD/GCA) remains low at 0.03x as on March 31, 2026.

Stable industry outlook

The domestic hydraulic equipment industry is expected to witness steady growth over the medium term, supported by sustained investments in infrastructure, construction, mining, and heavy engineering sectors. Government initiatives such as the Pradhan Mantri Gati Shakti programme and the Smart Cities Mission, and the Make in India initiative, are expected to drive demand for hydraulic equipment through increased construction activity and domestic manufacturing. Rising adoption of advanced hydraulic systems and growing demand for construction equipment are expected to support stable industry prospects.

Key weaknesses

Working capital intensive operations resulting in elongated operating cycle

VDL's operations remain inherently working capital intensive due to the need to maintain a high level of inventory, particularly work-in-progress, to support its high-variety manufacturing model and offer customised hydraulic products with shorter delivery timelines. The inventory build-up also facilitates the introduction of new product families and strengthens its competitive positioning through faster execution and wider product offerings. Accordingly, average inventory period remained elevated at 220 days in FY26 (PY: 217 days). Average collection period increased to 78 days (PY: 46 days), while average creditor period stood at ~60 days, resulting in an operating cycle of 239 days in FY26 (PY: 233 days). Despite the elongated operating cycle, the company has been able to maintain adequate liquidity and efficiently manage its working capital requirements.

Highly competitive industry with established players holding majority market share

The hydraulic equipment manufacturing landscape in India is highly competitive with a mix of established global players and growing domestic companies. International corporation such as Bosch Rexroth AG, Danfoss and Kawasaki Heavy Industries hold majority market share due to their brand recognition and advance technologies.

Susceptibility to raw material price volatility

The four major raw materials used by VDL for manufacturing are steels, castings, components, and imported materials. In FY26, components formed 47% total raw material consumption. Of the total raw material consumption castings forms 36%, steel forms 13% and imported material forms 4-5% total raw material consumption. Similar trend can be observed in the previous years also. However, it can be observed the raw material consumption is gradually increasing backed by the increase in production. The company keeps an inventory of major raw materials such as components, steel and casting owing to the longer procurement time, which makes the company vulnerable to price fluctuations in raw materials.

Liquidity: Strong

Liquidity is strong marked by GCA of ₹32.93crore in FY26 against nil repayment obligations and free liquid investments of ₹63.18 crore as on March 31, 2026. With nil overall gearing as on March 31, 2026, the company has sufficient gearing headroom, to raise additional debt for its capex. The liquidity is further supported by a current ratio of 7.54x as on March 31, 2026. Its unutilised bank lines are over adequate to meet its incremental working capital needs in the next one year.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

Environment: Leaks in hydraulic systems can lead to fluid contamination and spillage, which can have negative environmental consequences. VDL has taken proper measures to dispose hazardous waste materials. The company is taking proper safety measures to ensure that there is no gap in safety practices. VDL carries out regular maintenance and inspection to ensure they are functioning properly and safely.

Social: The hydraulic industry often deals with high pressures, fast-moving components, and heavy machinery. Accidents involving hydraulic systems can result in severe injuries or fatalities if not properly managed. Hydraulic fluid leaks, explosions, and unexpected movements of hydraulic components can all pose significant safety risks.

Governance: VDL has been operating for over five decades and the promoters are in this business since the beginning. management team is well qualified with no major corporate governance issues. Board of Directors adopted the compliance of good corporate governance and to keep the shareholder informed about happenings in the company. The company is compliant with Securities Exchange Board of India (Listing Obligation Disclosure Requirements) Regulations, 2015.

Applicable criteria

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
Consolidation and Combined Approach

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Compressors, pumps and diesel engines

VDL was incorporated on December 19, 1973, and commenced its commercial production in 1977 as a joint venture with the Denison Hydraulics division of Abex Corporation of USA. When Sweden-based Hagglunds acquired Denison Hydraulics globally, the Indian arm followed. Hagglunds divested the division in 1994, leading Indian promoters to part ways and operate independently. It manufactures precision hydraulic components and systems. The company's manufacturing units are primarily in Patancheru, Hyderabad, India. It manufactures hydraulic vane pumps, motors, valves and power pack systems. The company's promoter was Janardan Rao Chandrasekhara Velamati, who was a qualified engineer. The company's operations are managed by Chairman and MD, Sri Krishna Uppaluri, who has 10+ years of experience across fields of management, data analytics and hydraulic engineering. He has specialised experience in fluid power, having managed VDL operations since 2020. The company is listed on the Bombay Stock Exchange.

Brief Financials (₹ crore) – Consolidated	March 31, 2024 (A)	March 31, 2025 (A)	March 31, 2026 (Ab.)
Total operating income	137.69	155.70	164.08
PBILDT*	33.67	37.17	39.96
Profit after tax (PAT)	22.07	23.72	25.84
Overall gearing (x)	0.03	0.04	0.00
Interest coverage (x)	32.76	58.24	68.23

A: Audited, Ab.: Abridged; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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		-	-	-	30.00	CARE BBB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	3.00	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-Letter of credit		-	-	-	10.00	CARE A2

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 2026-2027	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
1	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (08-Jul-25)	1)CARE BBB+; Stable (03-Jul-24)	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	3.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (08-Jul-25)	1)CARE BBB+; Stable / CARE A2 (03-Jul-24)	-
3	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A2	-	1)CARE A2 (08-Jul-25)	1)CARE A2 (03-Jul-24)	-

LT: Long term; ST: Short 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	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view 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	Adan Holdings Limited	Full	Wholly owned subsidiary

Annexure-7: List of facilities/instruments and FSRs

As required by SEBI Circular dated February 10, 2026, to Credit Rating Agencies (CRAs), the list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is disclosed below:

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments[2]
1.	Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities)	SEBI
2.	Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities)	MCA
3.	Listed PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	SEBI
4.	Listed PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	SEBI
5.	Unlisted PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	RBI
6.	Listed Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
7.	Unlisted Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
8.	Loan Facilities (Fund / Non-Fund Based) From Banks / NBFCs / NHB / FIs ^	RBI
9.	External Commercial Borrowings and Other Similar Borrowings	RBI
10.	Certificates of Deposit	RBI
11.	Fixed Deposits Raised by Banks, NBFCs, HFCs, FIs	RBI
12.	Fixed Deposits Raised by Corporates Other Than Banks, NBFCs, HFCs, FIs	MCA
13.	Inter Corporate Deposits / Loans Extended by Corporates	MCA
14.	Borrowing Programme ~	-
15.	Issuer Ratings #	-
16.	Credit Ratings for Capital Protection Oriented Schemes (By Mutal Funds and AIFs)	SEBI
17.	Credit Quality Ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18.	Listed Security Receipts	SEBI
19.	Unlisted Security Receipts	RBI
20.	Independent Credit Evaluation (ICE)	RBI
21.	Expected Loss Ratings (For Loan Facilities (Fund / Non-Fund Based) from Banks / NBFCs / NHB / FIs)	RBI
22.	Expected Loss Ratings (Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities))	SEBI
23.	Expected Loss Ratings (Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities))	MCA

24.	Unlisted PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In the press releases subsequent to issuance(s), CareEdge Ratings shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned in regulatory regime prior to introduction of SEBI CRA Circular dated February 10, 2026, and the investor side regulators have accordingly been included.

Note: For facilities / instruments falling under the purview of FSRs other than SEBI, the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

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

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About us:

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