Vee Kay Vikram & Co LLP

February 28, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE BBB; Stable / CARE A3+ (Triple B ; Outlook: Stable / A Three Plus) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A3+ (A Three Plus) and Withdrawn
Total Bank Facilities	**0.00 (Rs. Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reviewed the rating assigned to the bank facilities of Vee Kay Vikram & Co LLP (VKVC) to CARE BBB; Stable/ CARE A3+ and has simultaneously withdrawn it, with immediate effect. The above action has been taken at the request of VKVC and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

The rating assigned to the bank facilities of Vee Kay Vikram and Company LLP (VKVC) continue to derive strength from experienced partners, its established and certified business operations coupled with strong customer profile from oil and gas sector. The ratings further derive strength comfortable profitability, capital structure and debt coverage indicators and adequate liquidity during FY21.

The above strengths are however offset by its constitution as limited liability partnership, moderate scale of operation and susceptibility of profitability margins to foreign exchange as well as raw material price fluctuations.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and established business operations

VKVC's overall operations are managed by Mr. Vineet Sood who holds more than five decades of experience in the field of pipeline engineering and polyurethane products. He is supported by his two sons Mr. Vikram Sood and Mr. Viraen Sood. Further, operations of the entity are supported by other experienced professionals. Over the period, with strong industrial background and experience in pipeline engineering and polyurethane products, VKVC has managed to increase its scale gradually and has established its position in the industry by expanding its product range along with providing pipeline cleaning services.

Customer profile marked by renowned entities from Oil and Gas sector along with certified operations

VKVC is a member of Pigging products and service association and has various quality standards certifications such as ISO 9001:2015 & ISO 14001:2015 received from the Bureau Veritas Certificate (India) Private Limited. Further, over the period, VKVC has managed to include well known customers from Oil and Gas Industry in its portfolio. VKVC is also authorized to use official API (American Petroleum Institute) monogram on manufactured products and is also authorized to use the R symbol and apply 'NB' mark in accordance with the provisions of the National Board Inspection Code and NB-415, Accreditation of 'R' Repair organizations.

Comfortable profitability

The profitability of VKVC improved over previous year and remained healthy marked by PBILDT margin of 24.28% in FY21 which improved from 19.49% in FY20. As a result of improved operating margin and relatively stable depreciation and interest cost level during FY20, there was an improvement in PAT margin by 344 bps from 10.04% in FY20 to 13.48% in FY21. Consequently, gross cash accruals (GCA) has also improved by 34.30% over the previous year and remained moderate at Rs.13.43 crore during FY21 (FY20: Rs.10.00 crore).

Comfortable capital structure and debt coverage indicators

VKVC's capital structure has improved further owing to improvement in tangible net worth base on account of accretion of profit to reserves and continued to remain comfortable as marked by overall gearing ratio of 0.13 times as on March 31, 2021 as against 0.35 times as on March 31, 2020. Debt coverage indicators also improved in line with increased profits and continue to remained comfortable marked by total debt to GCA of 0.34 times as on March 31, 2021 against 0.91 times as on March 31, 2020. Further, the PBILDT interest coverage ratio has also improved on account of stable interest cost coupled with improved operating profitability and remained comfortable during FY21 at 24.28 times as against 19.49 times during FY20.

Key Rating Weaknesses

Moderate Scale of operation

The scale of operation marked by Total operating income (TOI) remained moderate at Rs.87.18 crore during FY21 (A) which was in line with previous year TOI of Rs. 81.92 crore during FY20.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Constitution as Limited Liability Partnership
VKVC being a limited liability partnership (LLP) is exposed to inherent risk of partners' capital being withdrawn at time of personal contingency. Moreover, limited liability partnership has restricted access to external borrowings as credit worthiness of partners would be key factors affecting credit decision for lenders.

Foreign exchange and raw material price fluctuation risk
VKVC is exposed to the forex rate fluctuation risk due to its overseas exposure owing to export of 43% of its total sales. In absence of hedging policy in place, the firm is exposed to foreign exchange fluctuation risk which could impact its profit margins as well. During FY21, VKVC registered foreign exchange gain of Rs.0.87 crore. Further, the major raw material for VKVC is stainless steel and polyurethane. The prices of steel are volatile in nature and move in tandem with the price in domestic as well as international market. Any adverse movement in prices of the same would impact profitability of the firm. Further, the prices of another key input i.e. polyurethane are derivatives of crude oil. Hence, any adverse fluctuation in the crude oil prices is likely to impact the profitability of VKVC.

Liquidity: Adequate
The liquidity indicators of VKVC remained adequate marked by sufficient gross cash accruals of Rs.13.43 crore during FY21 as against its minimum debt obligation of Rs.0.60 crore towards vehicle loan repayment for FY21. Free Cash and bank balance has remained comfortable at Rs.9.89 crore as on March 31, 2021, while cash flows from operating activity remained positive at Rs.10.18 crore during FY21. Further, its operating cycle remained comfortable FY21.

Analytical approach: Standalone

Applicable Criteria
Policy on Withdrawal of ratings
CARE's Policy on Default Recognition
Criteria on assigning Outlook and Credit Watch to Credit Ratings
Financial Ratios - Non-Financial Sector
Rating Methodology-Manufacturing Companies
Short Term Instruments
Liquidity Analysis of Non-Financial Sector Entities

About the firm
VKVC was established in 1969 as proprietorship firm by Mrs. Kamlesh Sood and later it was reconstituted as partnership firm which was then converted into Limited Liability Partnership (LLP) in 1990. Presently, VKVC is managed by three partners Mr. Vineet Sood, Mr Vikram Sood and Mr. Viraen Sood. VKVC is engaged in manufacturing of pipeline engineering and polyurethane products such as pigging products, pipeline equipment, pipeline repair and maintenance, pigging services etc. which ranges from elastomers products for oil-well drilling to pipe-line products for use in transportation and refinery operations as well as providing pipeline cleaning services that cater only oil and gas industry.

Brief Financials (Rs. Crore)	FY20 (A)	FY21 (A)	H1FY22
Total operating income	81.92	87.18	NA
PBILDT	15.97	21.17	NA
PAT	8.23	11.75	NA
Overall gearing (times)	0.35	0.13	NA
PBILDT Interest coverage (times)	16.88	27.76	NA

A: Audited; NA: Not Available

Status of non-cooperation with previous CRA: CRISIL has moved its ratings assigned to the bank facilities of VKVC to 'Issuer Not Cooperating' vide press release dated June 15, 2021 on account of non-submission of requisite information to undertake review of outstanding rating.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (03-Jan-20)	1)CARE BBB; Stable (05-Oct-18)
2	Fund-based - LT/ ST-Cash Credit	LT/ST*	-	-	-	1)CARE BBB; Stable / CARE A3+ (25-Mar-21)	1)CARE BBB; Stable / CARE A3+ (03-Jan-20)	1)CARE BBB; Stable / CARE A3+ (05-Oct-18)
3	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)CARE A3+ (25-Mar-21)	1)CARE A3+ (03-Jan-20)	1)CARE A3+ (05-Oct-18)
4	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)CARE A3+ (25-Mar-21)	1)CARE A3+ (03-Jan-20)	1)CARE A3+ (05-Oct-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company: Not Applicable

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact
Name: Mr. Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careedge.in

Analyst Contact
Name: Mr. Akhil Goyal
Contact no.: +91-85111 90015
Email ID: akhil.goyal@careedge.in

Relationship Contact
Name: Mr. Deepak Prajapati
Contact no.: +91-79-4026 5656
Email ID: deepak.prajapati@careedge.in

About CARE Ratings:
About CARE Ratings Limited: Established in 1993, CARE Ratings Ltd is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer
The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**