

Veer Energy & Infrastructure Limited
 May 02, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	4.29	CARE BBB-; Negative (Triple B Minus; Outlook: Negative)	Reaffirmed
Short-term Bank Facilities	13.00	CARE A3 (A Three)	Reaffirmed
Total	17.29 (Rs. Seventeen Crore and Twenty Nine Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Veer Energy & Infrastructure Limited (VEIL) continue to derive strength from its experienced management, established track record of operations and financial risk profile characterized by moderate profit margins, comfortable capital structure and debt coverage indicators.

The ratings however continue to be constrained by VEIL's modest scale of operations with moderate order book, stretched operating cycle, customer concentration risk and regulatory risk. The reaffirmation of ratings takes into consideration the declining scale of operations and net profitability albeit improvement in operating cycle during FY16 (refers to period April 1 to March 31).

VEIL's ability to increase its revenue & profitability through diversification into different segments along with maintaining its capital structure and efficient working capital management are the key rating sensitivities.

Outlook - Negative

The outlook is 'Negative' on account of expectation of decline in operating income and net profitability as well as deterioration in liquidity position. The outlook may be revised to 'Stable' if VEIL is able to scale up its operations as envisaged and improve its financial parameters.

Detailed description of the key rating drivers**Key Rating Strengths**

Experienced promoters with established track record: The key promoters of VEIL, Mr. Yogesh Shah and Mr. Prakash Shah have over three decades of experience in varied business domains for financial consulting, project oriented works and land acquisitions. Further, the directors are assisted by team of qualified and experienced senior management who have been associated with VEIL for over a decade.

Comfortable capital structure and debt coverage indicators with moderate profitability: VEIL's financial profile is characterized by favourable capital structure and comfortable debt coverage indicators. During FY14-FY16, the company's capital structure has remained favourable primarily on account of minimum dependence on external borrowings for its working capital requirement. Further, on account of the same the debt coverage indicators of VEIL has remained comfortable during FY14-FY16. Further although the profitability has been fluctuating it remained at moderate level during last three years ending FY16.

Key Rating Weaknesses

Modest scale of operations: VEIL's scale of operations is modest with a TOI of Rs.49.02 crore in FY16 (vis-à-vis Rs.47.79 crore in FY15) owing to and fluctuating demand scenario resulting in low financial flexibility. Company has further witnessed a decline in scale during 9MFY17. Further ROCE remained low during the period owing to lower order execution. Nonetheless, order book remained moderate at 1.3x of TOI of FY16 imparting a moderate level of revenue visibility in the medium term.

Stretched operating cycle: VEIL identifies the wind rich sites for its wind farms and then goes for governmental approvals/clearance for the site. Subsequently, it develops a substation and transmission line connecting the main grid of government. The company goes for marketing this site post this stage hence the inventory is held for longer time with

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

VEIL and remains so until it finds investors for its site. All these primary activities take around 18 months resulting in higher operating cycle.

Customer concentration and regulatory risk: Over the last 5 years, majority (around 80%) of the revenue generated by VEIL is from its wind turbine manufacturing clients who face regulatory risks with regards to generation based incentive scheme changes as well as changes to accelerated depreciation by Government thereby affecting the demand for wind farms.

Analytical Approach - Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short term ratings](#)

[Rating Methodology – Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the company

Initially incorporated as Jhantla Investments Limited in 1980 and renamed in 2006, Veer Energy & Infrastructure Limited (VEIL) is primarily engaged into power infrastructure development (windfarm developer), wind power generation and providing O&M services to wind power projects. During April, 2013, VEIL has diversified into engineering works (providing job work service especially to wind turbines generator (WTG) manufacturer, automobiles, steel, textile machinery and dye & mould industry).

During FY16, (refers to period April 01 to March 31), VEIL reported total operating income of Rs.49.02 crore (as against Rs.47.79 crore in FY15) and PAT of Rs.1.50 crore (as against Rs.1.85 crore in FY15). Further, as per 9MFY17 unaudited results, VEIL has reported total operating income of Rs.14.86 crore (vis-à-vis Rs.40.14 crore in 9MFY16) and PAT of Rs.1.01 crore (vis-à-vis Rs.1.60 crore in 9MFY16). As on March 20, 2017 the company has an outstanding order book of Rs.65.66 crore, which are expected to be executed during FY18.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	3.00	CARE BBB-; Negative
Non-fund-based - ST-BG/LC	-	-	-	13.00	CARE A3
Fund-based - LT-Term Loan	-	-	April 2018	1.29	CARE BBB-; Negative

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	3.00	CARE BBB-; Negative	-	1)CARE BBB- (13-Apr-16)	1)CARE BBB- (10-Apr-15)	-
2.	Non-fund-based - ST-BG/LC	ST	13.00	CARE A3	-	1)CARE A3 (13-Apr-16)	1)CARE A3 (10-Apr-15)	-
3.	Fund-based - LT-Term Loan	LT	1.29	CARE BBB-; Negative	-	1)CARE BBB- (13-Apr-16)	1)CARE BBB- (10-Apr-15)	-

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