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Veer Plastics Private Limited

March 04, 2025

Ratings

Security / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	289.01 (Enhanced from Rs. 229.71 crore)	IVR A-; Stable (IVR Single A Minus with Stable outlook)	IVR A-; Stable (IVR Single A Minus with Stable outlook)	Rating reaffirmed	Simple
Short Term Bank Facilities	21.25 (Reduced from Rs. 24.25 crore)	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	Rating reaffirmed	Simple
Total	310.26 (Rupees three hundred and ten crore and twenty six lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Veer Plastics Private Limited (VPPL) continues to derive comfort from its long track record of operations under experienced promoter & management team in the packaging industry coupled with strong client portfolio albeit customer concentration, strategic location of the manufacturing facility being in close proximity to the raw material sources and VPPL's diversified geographical presence. The ratings also positively note the stable business performance of the company in FY2024 (FY refers to the period from April 1 to March 31) and subsequently in 6MFY25. Further, the comfortable capital structure of the company backed by a strong net worth base is a credit positive. However, these rating strengths are partially offset by susceptibility of its profitability to volatility in raw material prices, exposure to foreign currency fluctuation risk and exposure to intense competition as well as project implementation risk and stabilization risk.

The stable outlook of the company reflects established position of the company in domestic and export markets with healthy demand of its products and continued healthy financial risk profile.

Key Rating Sensitivities:

Upward Factors



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- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in gross cash accruals
- Improvement in the capital structure marked by improvement in overall gearing to below 1.0x with improvement in debt protection metrics marked by rise in interest coverage ratio to over 3.5x
- Improvement in operating cycle leading to improvement in liquidity position of the company

Downward Factors

- Moderation in scale of operations and/or moderation in profitability impacting the debt protection metrics on a sustained basis
- Any unplanned debt funded capex leading to moderation in the capital structure with moderation in overall gearing to over 1.5x
- Further elongation in operating cycle impacting the liquidity position of the company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management team with demonstrated track record of performance in the packaging industry

VPPL is one of the prominent players in the woven sacks industry with an established track record of operations of over two decades in the industry. The company is one of the leading suppliers of poly woven bags to the fertilizer and cement industry. Further, during the last couple of years, VPPL has developed new and value-added products such as jumbo bags (FIBC), PP fabrics and other technical textile for quality conscious export market such as USA, Canada, and European Countries since a major portion of the revenue is derived from the overseas market. The strong track record of its business operations has enabled the Company to gain an in-depth understanding of the market dynamics and cope up with the latest technologies and trends in the market. The management of VPPL is looked after by one Arora family members (Directors of VPPL) who have an extensive experience of more than three decades in the manufacture of poly woven bags, woven and non-woven fabric.

Strong client portfolio backed by repeat orders, albeit customer concentration

VPPL's clientele includes leading players in the Fertilizer and Cement industry, such as Indian Farmers Fertiliser Cooperative (IFFCO), Gujarat Narmada Valley Fertilizers & Chemicals Limited (GNFC), Rashtriya Chemicals and Fertilizers Limited (RCF), Indian Potash Ltd,



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Chambal Fertilizers and Chemicals Limited, Gujarat Ambuja Cement Limited, ACC Limited, Ultratech Cement Limited, etc. Also, in the export market, it caters to reputed players in the technical textile industry such as Continental Materials Inc. – USA, Willacoochee Industrial Fabrics Inc. – USA, Codefine International SA – Switzerland, Max Roofing Products LLC – USA, to name a few. VPPL has been able to build strong relationship with its customers which results in repeat orders and mitigates counter party credit risk to some extent.

Strategic location of the manufacturing facility

VPPL's manufacturing facility in Gujarat is located close to Kandla and Mundhra ports which provides ease for imports and exports and benefits in terms of lower transportation and logistics cost. Further, VPPL's manufacturing facility is also located in close proximity to its major raw material suppliers i.e., Reliance Industries Limited (RIL) and Indian Oil Corporation Limited (IOCL) which ensures regular and timely availability of raw materials.

Diversified geographical presence

VPPL has a pan India presence, and its products are sold across all the major states with focus in North Indian states since VPPL primarily caters to cement and fertilizer industries which are majorly located in North India. With regard to export orders, VPPL sells its products majorly in USA followed by UK and Canada since VPPL has the required certifications in place and also the demand in these countries for PP and geo textile fabrics is high. Wide geographical presence reduces the risk of possible economic downturns or changes in government policies in any particular region.

Stable business performance

The total operating income (TOI) of the company moderated by ~6% from Rs.783.02 Crore in FY23 to Rs.732.84 Crore in FY24 due to decrease in demand in domestic market and due to the internal decision to go direct to customer approach in the export market. The company has achieved a TOI of Rs. 440.30 crore in 6MFY25. The company's decision to shift from broker-based model to direct selling model has helped to increase the profitability coupled with reducing the dependence on the dealers. Notwithstanding the decrease in TOI the operating margin improved from 5.25% in FY2023 to 8.39% in FY2024 and absolute EBITDA from Rs.41.11 crore in FY2023 to Rs.61.48 crore in FY2024 underpinned by reduction in cost of sales. Further, with increase in EBITDA, PAT margin also improved from 1.09% in FY2023 to 2.89% in FY2024. Aided by increase in profitability, net cash accruals (NCA) increased from Rs.29.93 crore in FY2023 to Rs.40.89 crore in FY2024.



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Satisfactory financial risk profile characterised by strong net worth base coupled with comfortable capital structure

VPPL has a satisfactory financial risk profile marked by its strong adjusted net worth base of Rs.228.57 crore (after considering unsecured loan of Rs.19.27 crore as quasi equity and making adjustments for investments in group companies/ subsidiaries) as on March 31, 2024. The capital structure of the company, though moderated, remained comfortable marked by overall gearing at 1.14x as on March 31, 2024 (1.08x as on March 31, 2023; considering subordinated unsecured loans from directors and members to the tune of Rs.19.27 crore as on March 31, 2024, as quasi equity). Total indebtedness of the company as reflected by TOL/ATNW also continues to remain comfortable at 1.57x as on March 31, 2024 (1.31x as on March 31, 2023). The capital structure is expected to improve further in FY2025 on the back of steady accretion of profits to reserves along with scheduled repayment of debts and in absence of any major debt availment plan. Aided by increase in profitability and NCA, the debt coverage indicators have also improved. The interest coverage ratio stood at 3.02x (2.03x in FY2023) and Total debt to NCA stood at 6.36x (7.83x as on March 31, 2023) as on March 31, 2024.

Key Rating Weaknesses

Susceptibility of profitability to volatility in the prices of raw material

The primary raw material for the company is polymer which is a crude oil derivative. As crude oil prices are highly volatile which in turn impacts the prices of plastic granules. Despite the correction in crude oil prices to an extent in the current year, VPPL's profitability remains exposed to any adverse movements in its raw material prices that cannot be entirely passed on to the customers and thus have a negative impact of the company's profit margins.

Exposure to foreign currency fluctuation risk

With the company obtaining the requisite certifications for selling its products in the European and US markets, VPPL derives a major portion of its total revenue through exports (~49% in FY2022, ~48% in FY2023 and ~53% in FY2024). Given the increasing share of exports in the total revenue, profitability of the company remains vulnerable to foreign currency exchange rate fluctuations, to the extent unhedged. VPPL enters into forward contracts from time to time and also has a team of professionals which regularly keeps a check on the forex rates and advises the management on the same. VPPL has unhedged foreign currency exposure of Rs.27.37 crore as on March 31, 2024.

Exposure to intense competition



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The industry is characterized by presence of a large number of players with low entry barriers. Large, organized players offer products at more competitive prices, because of advantages of economies of scale and access to advanced technology. Also, the market has numerous small players that cater to local price-sensitive customers. Although high customization levels partially limit threat from imports, intense competition may continue to constrain scalability, pricing power, and profitability.

Project implementation risk and stabilization risk

The project aimed at enhancing operational efficiency and product quality is being financed through Rs. 25.36 crore in term loans from Bank, with the remaining amount covered by internal accruals i.e. at a debt equity ratio of 1.93:1. To optimize technical and managerial control, the management has decided to consolidate operations by relocating the existing Silvassa plant to the Borisana unit. The Borisana facility, spanning 4,087 m², already includes a factory building of 2,450 m², providing adequate infrastructure for the expansion. The project includes the installation of plant & machinery worth Rs. 15 crores at both the Borisana and Santej units, significantly enhancing product quality and manufacturing capabilities. Construction of the new building began in July 2024, and Rs. 23.75 crore (i.e. around 62% of total project cost) has already been incurred by term loan of Rs.16.06 crore and promoters' equity of Rs.7.69 crore. The project is expected to be fully operational by July 2025. Being in implementation stage the project has exposure to project implementation risk and post project stabilization risk in the initial period.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)

[Criteria – Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity profile of the company is expected to remain adequate marked by sufficient cash accruals vis-à-vis its debt repayment obligation of Rs.24.24 crore in FY2025, Rs.32.26 crore in FY2026 and Rs.27.11 crore in FY2027. The current ratio stands comfortable at 1.33x as on March 31, 2024. Further, the average utilisation of working capital borrowings stood at ~79%



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during the last twelve months ended December 2024 indicating sufficient liquidity cushion. Moreover, the liquidity is supported by need based funding support from the promoters in the form of unsecured loans as and when required.

About the Company

Incorporated in 1985, Veer Plastics Private Limited (VPPL) is one of the leading woven sacks manufacturers for the fertilizer and cement industry. During the last 6-7 years, VPPL has developed new and value-added products such as jumbo bags (FIBC), PP fabrics and other technical textile for quality conscious export markets such as USA, Canada and European Countries since almost ~45-50% of the revenues is derived from the overseas market. VPPL was started by setting up a poly woven bags facility at Kadi, Gujarat. Over the years VPPL has set up fully integrated facilities at Santej and Borisana in Ahmedabad, Silvassa in Dadra & Nagar Haveli and at Dist. Solan in Himachal Pradesh.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	783.02	732.84
Total Income	794.85	739.76
EBITDA	41.11	61.48
PAT	8.70	21.40
Total Debt	234.45	260.12
Adjusted Tangible Net worth	217.90	228.57
EBITDA Margin (%)	5.25	8.39
PAT Margin (%)	1.09	2.89
Overall Gearing Ratio (x)	1.08	1.14
Interest Coverage Ratio (x)	2.03	3.02

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:



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Sr. No.	Name of Security / Facilities	Current Rating (Year 2024-25)					Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating			Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2022-23
					July 05, 2024	May 06, 2024	Mar 13, 2023	-	-
1	Term Loan/ GECL	Long Term	79.01	IVR A-; Stable	IVR A-; Stable	IVR BBB+/ Negative; ISSUER NOT COOPERATING	IVR A-/ Stable	-	-
2	Cash Credit	Long Term	210.00	IVR A-; Stable	IVR A-; Stable	IVR BBB+/ Negative; ISSUER NOT COOPERATING	IVR A-/ Stable	-	-
3	Bank Guarantee	Short Term	9.25	IVR A2+	IVR A2+	IVR A2; ISSUER NOT COOPERATING	IVR A2+	-	-
4	Letter of Credit	Short Term	6.00	IVR A2+	IVR A2+	IVR A2; ISSUER NOT COOPERATING	IVR A2+	-	-
5	CEL	Short Term	6.00	IVR A2+	IVR A2+	IVR A2; ISSUER NOT COOPERATING	IVR A2+	-	-

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About Infomerics:



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Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation And Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Annexure 1: Security/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan/ GECL	-	-	-	September 2031	79.01	IVR A-; Stable
Cash Credit	-	-	-	-	210.00	IVR A-; Stable
Bank Guarantee	-	-	-	-	9.25	IVR A2+
Letter of Credit	-	-	-	-	6.00	IVR A2+
CEL	-	-	-	-	6.00	IVR A2+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-VeerPlastics-mar25.pdf>

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

Annexure 4: List of companies considered for consolidated /combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.