

July 07, 2025 <sup>(Revised)</sup>

## Veljan Hydrair Limited: Ratings reaffirmed

### Summary of rating action

| Instrument*  | Previous rated amount<br>(Rs. crore) | Current rated amount<br>(Rs. crore) | Rating action                            |
|--|--------------------------------------|-------------------------------------|--|
| Long term - Fund-based limits – Cash credit          | 40.00                                | 40.00                               | [ICRA]BBB (Stable); reaffirmed           |
| Long term - Fund-based limits – Term loans           | 0.54                                 | 1.98                                | [ICRA]BBB (Stable); reaffirmed           |
| Short term - Non-fund based limits – Bank guarantee  | 27.00                                | 42.00                               | [ICRA]A3+; reaffirmed                    |
| Short term – Non-fund based limits– Letter of credit | 5.00                                 | 3.00                                | [ICRA]A3+; reaffirmed                    |
| Long term/Short term – Unallocated limits            | 27.46                                | 13.02                               | [ICRA]BBB (Stable)/[ICRA]A3+; reaffirmed |
| <b>Total</b>   | <b>100.00</b>                        | <b>100.00</b>                       |  |

\*Instrument details are provided in Annexure I

### Rationale

The reaffirmation of the ratings continues to factor in the extensive experience of Veljan Hydrair Limited (VHL) with established track record in the hydraulic & pneumatic components industry as well as marine systems. The ratings also consider the company's robust financial risk profile, characterised by healthy profit margins, a comfortable capital structure and strong debt coverage indicators.

The ratings, however, are constrained by VHL's modest scale of operations with high working capital intensity owing to the high receivables and inventory days.

The Stable outlook on the rating reflects ICRA's expectation that VHL is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, which will help expand the product portfolio, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

### Key rating drivers and their description

#### Credit strengths

**Long track record in hydraulic and pneumatic cylinder manufacturing** – VHL was incorporated in 1965 by Late Mr. V. C. Janardan Rao. The company is engaged in the manufacturing of hydraulic cylinders, valves, pneumatic cylinders, air preparation units, ship steering systems and stabilizers, naval equipment and piston pumps. The manufacturing facilities are at Patancheru, Balanagar and Pashamylaram in Hyderabad. The company sells its products in the domestic and export markets.

**Healthy profitability** – The OPM was at 25.79% in FY2024 and 18.9% in FY2025 and is expected to remain healthy going forward due healthy outstanding order book.

**Healthy financial risk profile** - The financial risk profile of the company is healthy with a gearing of 0.14 times as on March 31, 2025 and going forward, is estimated to remain at similar levels owing to the low debt and a strong net worth base. In FY2025, the Interest coverage and DSCR declined on account of reduced profitability but still remained at a relatively healthy level of 7.87x and 5.7 x. Total Debt/OPBITDA was 0.89 times as on March 31, 2025, against 0.64 times as on March 31, 2024. The capital structure and debt coverage metrics are expected to remain healthy in FY2026.

## Credit challenges

**High working capital intensity** – The working capital intensity remained high at around 61% for FY2025, though declined from 64% in FY2024 on account of higher creditor days and the working capital intensity is estimated to remain at similar levels going forward. High working capital intensity is mainly because of extended cycle for payments realization and high inventory maintained in its US unit to meet orders.

**Moderate scale of operations** – The company’s scale remains modest. The operating income has moderated to ~Rs. 140.0 crore in FY2025 from Rs. 159.9 crore in FY2024. The revenue is expected to improve in FY2026 with healthy outstanding order book.

**Profitability exposed to fluctuation in foreign exchange rates, raw material prices and competition** – The company’s profitability is exposed to foreign exchange fluctuation risks. Steel accounts for a major portion of the raw materials and, thus, VHL’s profitability remains exposed to the fluctuation in steel prices. Further, the company has limited ability to pass on the increase in raw material prices due to competition.

## Liquidity position: Adequate

VHL’s liquidity position is adequate with cushion available in working capital limits. The company had cash and bank balances of ~Rs. 30 crore as on March 31, 2025 out of which Rs.7.06 crore is free cash and bank balance. The average fund-based utilisation stood at 59.6% in the last 12 months ended March 2025. The company has a planned capex of around ~Rs. 15 crore in FY2026, to be met partially through internal accruals and debt. The expected net cash accruals would be sufficient to cover the debt repayment obligations in the near term.

## Rating sensitivities

**Positive factors** – The ratings may be upgraded if the company exhibits a significant improvement in its scale and order book while maintaining healthy profit margins and an improvement in the receivable cycle and liquidity position on a sustained basis.

**Negative factors** – The ratings may be downgraded if there is a significant decline in the revenues and margins or any further elongation in the working capital cycle, adversely impacting the company’s liquidity position on a sustained basis.

## Analytical approach

| Analytical approach             | Comments  |
|---------------------------------|---|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology</a> |
| Parent/Group support            | Not Applicable                                      |
| Consolidation/Standalone        | Standalone  |

## About the company

VHL was incorporated in 1965 by Late Mr. V. C. Janardan Rao. The company is engaged in the manufacturing of hydraulic cylinders, valves, pneumatic cylinders, air preparation units, ship steering systems and stabilizers, naval equipment and piston pumps. The manufacturing facilities are at Patancheru, Balanagar and Pashamylaram in Hyderabad. The company sells its products in the domestic and export markets.

### Key financial indicators (audited)

| Standalone   | FY2023 | FY2024 | FY2025* |
|--|--------|--------|---------|
| Operating income                                     | 158.2  | 159.9  | 140.0   |
| PAT  | 31.6   | 29.3   | 18.5    |
| OPBDIT/OI  | 25.8%  | 25.8%  | 18.9%   |
| PAT/OI   | 20.0%  | 18.3%  | 13.2%   |
| Total outside liabilities/Tangible net worth (times) | 0.5    | 0.4    | 0.4     |
| Total debt/OPBDIT (times)                            | 0.7    | 0.6    | 0.9     |
| Interest coverage (times)                            | 20.7   | 16.9   | 7.9     |

Source: Company, ICRA Research; \* Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

| Current (FY2026)   |                      |                          | Chronology of rating history for the past 3 years |           |                              |           |                              |           |                              |
|--------------------|----------------------|--------------------------|---|-----------|------------------------------|-----------|------------------------------|-----------|------------------------------|
| Instrument         | Type                 | Amount rated (Rs. crore) | July 07, 2025                                     | FY2025    |                              | FY2023    |                              | FY2022    |                              |
|                    |                      |                          |   | Date      | Rating                       | Date      | Rating                       | Date      | Rating                       |
| Cash credit        | Long term            | 40.00                    | [ICRA]BBB (Stable)                                | May-08-24 | [ICRA]BBB (Stable)           | Mar-06-23 | [ICRA]BBB (Stable)           | Jan-07-22 | [ICRA]BBB (Stable)           |
| Term loan          | Long term            | 1.98                     | [ICRA]BBB (Stable)                                | May-08-24 | [ICRA]BBB (Stable)           | Mar-06-23 | [ICRA]BBB (Stable)           | Jan-07-22 | [ICRA]BBB (Stable)           |
| Bank guarantee     | Short term           | 42.00                    | [ICRA]A3+   | May-08-24 | [ICRA]A3+                    | Mar-06-23 | [ICRA]A3+                    | Jan-07-22 | [ICRA]A3+                    |
| Letter of credit   | Short term           | 3.00                     | [ICRA]A3+   | May-08-24 | [ICRA]A3+                    | Mar-06-23 | [ICRA]A3+                    | Jan-07-22 | [ICRA]A3+                    |
| Unallocated limits | Long Term/Short Term | 13.02                    | [ICRA]BBB (Stable)/[ICRA]A3+                      | May-08-24 | [ICRA]BBB (Stable)/[ICRA]A3+ | Mar-06-23 | [ICRA]BBB (Stable)/[ICRA]A3+ | Jan-07-22 | [ICRA]BBB (Stable)/[ICRA]A3+ |

### Complexity level of the rated instruments

| Instrument     | Complexity indicator |
|----------------|----------------------|
| Cash credit    | Simple               |
| Term loan      | Simple               |
| Bank guarantee | Very Simple          |

|                           |             |
|---------------------------|-------------|
| <b>Letter of credit</b>   | Very Simple |
| <b>Unallocated limits</b> | NA          |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

| ISIN | Instrument name    | Date of issuance | Coupon rate | Maturity | Amount rated (Rs. crore) | Current rating and outlook       |
|------|--------------------|------------------|-------------|----------|--------------------------|----------------------------------|
| NA   | Cash credit        | -                | -           | -        | 40.00                    | [ICRA]BBB (Stable)               |
| NA   | Term loan          | FY2023           | NA          | FY2028   | 1.98                     | [ICRA]BBB (Stable)               |
| NA   | Bank guarantee     | -                | -           | -        | 42.00                    | [ICRA]A3+                        |
| NA   | Letter of credit   | -                | -           | -        | 3.00                     | [ICRA]A3+                        |
| NA   | Unallocated limits | -                | -           | -        | 13.02                    | [ICRA]BBB (Stable)/<br>[ICRA]A3+ |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

**Corrigendum:** The figures for PAT/OI and OPBDIT/OI have been corrected in the Key Financial Indicators (audited) table on page number - 3.

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

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