July 27, 2026

Veljan Hydrair Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long term – Fund based limits – Cash credit	40.00	50.00	[ICRA]BBB (Stable); reaffirmed	RBI
Long term – Fund based limits – Term loans	1.98	2.00	[ICRA]BBB (Stable); reaffirmed	RBI
Short term - Non-fund based limits – Bank guarantee	42.00	42.00	[ICRA]A3+; reaffirmed	RBI
Short term – Non-fund based limits– Letter of credit	3.00	3.00	[ICRA]A3+; reaffirmed	RBI
Long term/Short term – Unallocated limits	13.02	3.00	[ICRA]BBB (Stable)/ [ICRA]A3+; reaffirmed	RBI
Total	**100.00**	**100.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of financial sector regulators other than SEBI.

Rationale

The reaffirmation of the ratings continues to factor in the extensive experience of Veljan Hydrair Limited (VHL) with anestablished track record in the hydraulic and 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. Going forward, the revenue growth in FY2027 is expected to be supported by the healthy order book position at the end of March 2026, while the profitability is seen to be healthy with operating profitability margins (OPM) at 17-18%.

The ratings, however, are constrained by VHL's modest scale of operations and high working capital intensity owing to the high receivables and inventory days. The company maintains a sizeable inventory due to its long production cycle, while the receivables remain elevated on account of sales to its US subsidiary. The subsidiary maintains significant inventory to ensure timely servicing of local customer demand, considering the lengthy production and transit periods.

The Stable outlook on the long-term 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 the Late Mr. V. C. Janardan Rao. The company manufactures hydraulic cylinders, valves, pneumatic cylinders, air preparation units, ship steering systems and stabilizers, naval equipment and piston pumps. VHL's manufacturing facilities are at Patancheru, Balanagar and Pashamylaram in Hyderabad. The company sells its products in the domestic as well as export markets.

Healthy financial risk profile – VHL's financial risk profile remains supported by healthy profitability and a strong capital structure, reflected in a low gearing of 0.15 times as on March 31, 2026. The operating margins remained healthy at ~17.8% in FY2026 and are expected to sustain at comfortable levels, going forward. The company's capital structure is also expected to remain strong, supported by low debt levels and a healthy net worth base. The debt protection metrics improved in FY2026, with the interest coverage and DSCR increasing to 10.35 times and 8.27 times, respectively, aided by lower interest costs. These metrics are expected to remain comfortable in FY2027, given the low leverage, healthy accruals, and absence of any major debt-funded capex plans.

Credit challenges

High working capital intensity – The working capital intensity remained high at around 73.8% for FY2026, increasing from 59.8% in FY2025. The rise was mainly because of a decrease in creditor days, given the higher share of micro, small & medium enterprises (MSMEs) in its creditor base and the increase in GST receivables arising from the capex undertaken by the company. Although the working capital intensity is expected to remain high over the near term, it is likely to moderate from FY2026 levels as GST the receivables decline. The working capital intensity continues to be high primarily due to the company's extended cycle for payment realisations and the elevated inventory.

Moderate scale of operations – The company's scale remains moderate. Its operating income increased to ~Rs. 168.73 crore in FY2026 from Rs. 139.4 crore in FY2025. The revenue, although remaining moderate, is expected to improve further in FY2027, supported a healthy outstanding order book. Moreover, the major capex undertaken for capacity expansion is expected to boost revenue growth FY2028 onwards.

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 from cheaper imports as well as from domestic players.

Liquidity position: Adequate

The company had cash and bank balances of ~Rs. 20.87 crore as on March 31, 2026, of which Rs. 14.37 crore is free cash and bank balance. The total unutilised cash credit limits as on June 30, 2026 was Rs. 26.57 against total sanctioned fund based limits of Rs. 50 crore, of which Rs. 10 crore was sanctioned in June 2026. Going forward, the company doesn't have any major capex plans. The expected net cash accruals are expected to be sufficient to cover the debt repayment obligations of ~Rs. 0.52 crore in FY2027 and regular maintenance capex.

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 if there is inability to improve is working capital cycle, adversely impacting the company's liquidity position on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#)
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. Its manufacturing facilities are at Patancheru, Balanagar and Pashamylaram in Hyderabad. The company sells its products in the domestic as well as export markets.

Key financial indicators (audited)

Standalone	FY2025	FY2026*
Operating income	139.4	168.7
PAT	17.6	21.3
OPBDIT/OI	18.9%	17.8%
PAT/OI	12.6%	12.6%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	0.9	1.0
Interest coverage (times)	7.7	10.4

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Jul 27, 2026	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	50.00	**[ICRA]BBB (Stable)**	Jul 07, 2025	[ICRA]BBB (Stable)	May 08, 2024	[ICRA]BBB (Stable)	-	-
Term loan	Long term	2.00	**[ICRA]BBB (Stable)**	Jul 07, 2025	[ICRA]BBB (Stable)	May 08, 2024	[ICRA]BBB (Stable)	-	-
Bank guarantee	Short term	42.00	**[ICRA]A3+**	Jul 07, 2025	[ICRA]A3+	May 08, 2024	[ICRA]A3+	-	-
Letter of credit	Short term	3.00	**[ICRA]A3+**	Jul 07, 2025	[ICRA]A3+	May 08, 2024	[ICRA]A3+	-	-
Unallocated limits	Long term/ Short term	3.00	**[ICRA]BBB (Stable)/ [ICRA]A3+**	Jul 07, 2025	[ICRA]BBB (Stable)/ [ICRA]A3+	May 08, 2024	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based limits – Cash credit	Simple
Long term -Fund based limits –Term loans	Simple
Short term - Non-fund based limits – Bank guarantee	Simple
Short term – Non-fund based limits– Letter of credit	Simple
Long term/Short term – Unallocated limits	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	Financial sector regulator#
NA	**Cash credit**	-	-	-	50.00	[ICRA]BBB (Stable)	RBI
NA	**Term loans**	FY2026	NA	FY2030	2.00	[ICRA]BBB (Stable)	RBI
NA	**Bank guarantee**	-	-	-	42.00	[ICRA]A3+	RBI
NA	**Letter of credit**	-	-	-	3.00	[ICRA]A3+	RBI
NA	**Unallocated limits**	-	-	-	3.00	[ICRA]BBB (Stable)/ [ICRA]A3+	RBI

Source: Company

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Please click here to view details of lender-wise facilities rated by ICRA

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

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ABOUT ICRA LIMITED

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.

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