

Date: 21.07.2025

To
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street Mumbai-400 001

Dear Sir/Madam

Sub: Intimation of Credit Rating of the Company from CARE Ratings Limited-reg
Ref: Scrip Code: 505232, Veljan Denison Limited

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR), we wish to inform you that, CARE Ratings Limited, vide its letter dated July 08, 2025, has assigned its rating to following borrowing programs of the Company as follows.

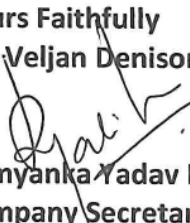
S.No	Facilities	Amount (Rs. In Crore)	Rating
1	Long Term Bank Facilities	30.00	CARE BBB+ ; Stable
2	Long Term/Short Term Bank Facilities	3.00	CARE BBB+ ; Stable / CARE A2
3	Short Term Bank Facilities	10.00	CARE A2

This is the rating extracted from Letter (as- it- is) stating the rating from the Credit Rating agency 'CARE Ratings Limited'.

This is for your kind update of the records and dissemination.

Thanking You

Yours Faithfully
For Veljan Denison Limited


Ramyanka Yadav K
Company Secretary & Compliance Officer
A45483



A attached.

VELJAN DENISON LIMITED

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Website : www.veljan.in

CIN : L29119TG1973PLC001670
Registered Office: A18 & 19, APIE, Balanagar
Hyderabad, Telangana - 500037, INDIA.

Veljan Denison Limited

July 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00 (Enhanced from 20.00)	CARE BBB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	3.00	CARE BBB+; Stable / CARE A2	Reaffirmed
Short Term Bank Facilities	10.00	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Veljan Denison Limited (VDL) derives strength from its experienced promoters with a long track record of operations, improvement in total operating income (TOI) in FY25 (abridged, FY refers to April 01 to March 31), healthy profit margins, diverse and established relationship with customers, comfortable capital structure and healthy debt coverage indicators and stable industry outlook.

However, ratings are tempered by moderate scale of operations despite improvement, highly competitive industry with established players holding majority market share, susceptibility to raw material price volatility and working capital intensive operations resulting in elongated operating cycle.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving scale of operations above ₹250 crore while profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of ~20% to 22% on a sustained basis.

Negative factors

- Un-envisaged debt programme leading to deterioration in the capital structure, particularly with the company's overall gearing over 0.75x on a sustained basis.
- Sustained elongation in operating cycle beyond 250 days.

Analytical approach: Consolidated.

CARE Ratings Limited (CareEdge Ratings), in its analysis, has considered consolidated financials of VDL and its subsidiary Adan Holdings Limited (AHL) as VDL holds 100% stake in AHL and the companies are engaged in similar business. The list of companies consolidated is attached as Annexure-6.

Outlook: Stable.

The 'Stable' outlook on VDL's ratings reflects CareEdge Ratings expectation to sustain its stable financial risk profile considering the stable demand from the hydraulic equipment sector and extensive experience of promoters with a long track record of operations.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with a long track record of operations

VDL has over five decades' experience in manufacturing hydraulic components. The company was founded by late V C Janardan Rao who was a qualified and experience engineer and has led the company successfully throughout the years and was responsible for development of many products. The company's operations are managed by chairman and managing director, Sri Krishna Uppaluri, who has 8+ years' experience across fields of management, data analytics and hydraulic engineering. The promoters are assisted by a qualified team of professionals who manage the company's day-to-day operations.

Diverse customer base and established relationship with customers

VDL has a diverse group of customers limiting its over reliance on single customer. VDL also caters orders received from its group company Veljan Hydrair Limited (VHL). The top 10 customers for VDL in FY25 remained similar over last three years with few clients added to the client profile indicating presence of repeat orders from these companies. This reflects that, over the years VDL has established itself as a reliable partner for its customers.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Improvement in TOI and profit levels in FY25

The company's TOI increased in FY25 by ~13% to ₹156 crore (FY24: ₹138 crore). In the last four years ended FY25, the company has reported a compound annual growth rate (CAGR) of 12.31%. In FY23, the company acquired an entity based in UK, Adan Holdings Limited (AHL) which is in similar business. However, the contribution of this to consolidated revenue remained on a lower side. The company's TOI on a standalone basis grew by ~14% to ₹142 crore compared to ₹124 crore in FY24. The company's scale of operations has been consistently improving backed by higher demands for hydraulic equipment. However, this remains moderate even after operating for over five decades in this sector.

Comfortable capital structure and healthy debt coverage indicators

The company's capital structure consists of only working capital borrowings. The company's overall gearing ratio stood below unity at 0.05x as on March 31, 2025 (PY: 0.03x), considering a lower debt compared to a high net worth of ₹222.39 crore as on March 31, 2025. The interest coverage ratio remains high at 57.83x in FY25. The other debt coverage indicators marked by total debt to gross cash accruals (TD/GCA) remains low at 0.27x as on March 31, 2025.

Stable industry outlook

The India hydraulic equipment market size reached US\$ 1.40 billion in 2024. The market expected to reach US\$ 1.90 billion by 2033, exhibiting a growth rate (CAGR) of 3.64% in 2025-2033. The expanding construction industry is anticipated to augment the hydraulic equipment market need over the forecast period. Electro-hydraulic systems are gaining increased traction, prompted by customer demands for high operational efficiency, precision, and economical energy use, in the Indian hydraulic equipment industry. Industries, including construction, agriculture, and material handling, are rushing to adopt electro-hydraulic actuators, valves, and pumps to optimise their operational efficiency. Government-led initiatives, including the Pradhan Mantri Gati Shakti program and Smart Cities Mission, are accelerating large-scale urban development projects, road expansions, and metro rail networks. These projects require hydraulic excavators, loaders, cranes, and drilling rigs to enhance productivity and efficiency in material handling and earthmoving operations.

Key weaknesses

Fluctuating profitability margins over the years

In FY25, VDL's PBILDT margin declined marginally by 59 bps to 23.70% compared to 24.29% in FY24. The company's profit after tax (PAT) margin also deteriorated by 80 bps to 15.23% in FY25 compared to 16.03% in FY24. The margin has been fluctuating considering raw material price volatility. In FY25, VDL's PBILDT margin on a standalone basis deteriorated by 87 bps to 23.63% compared to 24.50% in FY24. Despite volatility, the margins continue to remain healthy. The company's return on capital employed (ROCE) improved to 14.89% in FY25 against 14.63% in FY24.

Working capital intensive operations resulting in elongated operating cycle

VDL's operations are working capital intensive with a considerable amount of funds blocked in inventory. The company maintains an inventory level of 4-6 months according to market demand. The average inventory period has increased to 217 days in FY25 (against 211 days in FY24). The average collection period stood at 76 days in FY25 (against 81 days in FY24) and the suppliers are extending a credit period of 60 days to the company, (against 61 days in FY24). The company's operating cycle remained at similar level at 233 days in FY25 compared to 231 days in FY24.

Highly competitive industry with established players holding majority market share

The hydraulic equipment manufacturing landscape in India is highly competitive with a mix of established global players and growing domestic companies. International corporation such as Bosch Rexroth AG, Danfoss and Kawasaki Heavy Industries hold majority market share due to their brand recognition and advance technologies.

Susceptibility to raw material price volatility

The four major raw materials used by VDL for manufacturing are steels, castings, components, and imported materials. In FY25, components formed 41% total raw material consumption. Of the total raw material consumption castings forms 38%, steel forms 13% and imported material forms 4% total raw material consumption. Similar trend can be observed in the previous years also. However, it can be observed the raw material consumption is gradually increasing backed by the increase in production. The company keeps an inventory of major raw materials like steel and casting owing to the longer procurement time which makes the company vulnerable to price fluctuations in raw materials.

Liquidity: Strong.

Liquidity is marked by strong GCA of ₹30.89 crore in FY25 against nil repayment obligations and free liquid investments of ₹37.02 crore as on March 31, 2025. With an overall gearing of 0.05x as on March 31, 2025, the company has sufficient gearing headroom, to raise additional debt for its capex. The liquidity is further supported by a current ratio of 4.82x as on March 31, 2025. Its unutilised bank lines are over adequate to meet its incremental working capital needs over the next one year.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

Environment: Leaks in hydraulic systems can lead to fluid contamination and spillage, which can have negative environmental consequences. VDL has taken proper measures to dispose hazardous waste materials. The company is taking proper safety measures to ensure that there is no gap in safety practices. VDL carries out regular maintenance and inspection to ensure they are functioning properly and safely.

Social: The hydraulic industry often deals with high pressures, fast-moving components, and heavy machinery. Accidents involving hydraulic systems can result in severe injuries or fatalities if not properly managed. Hydraulic fluid leaks, explosions, and unexpected movements of hydraulic components can all pose significant safety risks.

Governance: VDL has been operating for over five decades and the promoters are in this business since the beginning. The management team is well qualified with no major corporate governance issues.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Compressors, Pumps & Diesel Engines

VDL was incorporated on December 19, 1973, and commenced its commercial production in 1977 as a joint venture with the Denison Hydraulics division of Abex Corporation of USA. It manufactures precision hydraulic components and systems. The company's manufacturing units are primarily in Patancheru, Hyderabad, India. It manufactures hydraulic vane pumps, motors, valves and power pack systems. The company's promoter was Janardan Rao Chandrasekhara Velamati who was a qualified engineer. The company's operations are managed by Chairman and MD, Sri Krishna Uppaluri, who has 8+ years' experience across fields of management, data analytics and hydraulic engineering. He has specialised experience in fluid power, having managed VDL operations since 2020. The company is listed on the Bombay Stock Exchange.

Brief Financials (₹ crore)- Consolidated	March 31, 2024 (A)	March 31, 2025 (Ab)
Total operating income	137.69	155.70
PBILDT	33.45	36.91
PAT	22.07	23.72
Overall gearing (times)	0.03	0.04
Interest coverage (times)	32.54	57.83

A: Audited Ab: Abridged; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BBB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	3.00	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-Letter of credit		-	-	-	10.00	CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (03-Jul-24)	-	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	3.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (03-Jul-24)	-	-
3	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A2	-	1)CARE A2 (03-Jul-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)**Annexure-6: List of entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Adan Holdings Limited	Full	Wholly owned subsidiary

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

Contact us

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About us:

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