Press Release

Inventaa Industries Private Limited

November 08, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	47.72 (reduced from Rs.86.50 crore)	IVR BBB/ Stable (IVR triple B with Stable outlook)	IVR BBB/ Stable (IVR triple B with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	82.28 (enhanced from Rs.43.50 crore) (includes proposed facility of Rs.46.78 Cr)	IVR A3+ (IVR A three plus)	IVR A3+ (IVR A three plus)	Reaffirmed	Simple
Total	**130.00 (Rupees one hundred and thirty crore 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 reaffirmation in the ratings assigned to the bank facilities of Inventaa Industries Private Limited (IIPL) derives strength from long track record of operations, experienced management, diversified product profile and healthy profitability margins. The ratings also factor in its healthy financial position characterized by conservative leverage. However, the ratings are constrained by modest scale of operations, working capital intensive nature of operations and vulnerability to change in government or regulatory guidelines and exposure to intense competition.

Infomerics has also withdrawn the outstanding long-term rating of 'IVR BBB/ Stable' assigned to the proposed term loan and External Commercial Borrowing (ECB) of IIPL with immediate effect. The withdrawal has been taken at the request of IIPL and 'No Due Certificate' received from ICICI bank that had extended the facilities rated by Infomerics. The ratings are withdrawn in accordance with Infomerics' policy on withdrawal. Link to the withdrawal policy is provided below.

The outlook of IIPL is expected to remain stable as it is supposed to benefit from the extensive experience of the management coupled with healthy profitability margins and comfortable financial risk profile.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals.
- Improvement in the capital structure and debt protection metrics on a sustained basis.
- Managing working capital requirement efficiently leading to improvement in the operating cycle with improvement in liquidity.

Downward Factors

- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company.
- Moderation in the capital structure and/ or coverage indicators.
- Elongation in the operating cycle with moderation in liquidity.
- Any liability arising out of corporate guarantee extended to group companies. Any additional exposure to group companies in terms of corporate guarantees adversely impacting overall gearing.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations and experienced management**

  Inventaa Industries Private Limited has a long operational track record of more than three decades. In addition to this, the key promoters of IIPL, Mr. C Satyanarayana, Mr. M Keshava Reddy and Mrs. C Rajyalaxmi have been in the industry for around four decades. Mr. Satyanarayana Cherkuri is the Chairman & Managing Director of IIPL, he is a qualified Chemical Engineer and have strong understanding of local market dynamics. The promoters' background, experience and healthy relations with suppliers and customers will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Diversified product profile coupled with healthy profitability margins**

  The company has a well-diversified product profile as it generates revenue from selling building products, pharmaceuticals and mushroom. The building product division generated majority i.e. ~53.34% (previous year 37%) of the total revenue in FY2024 (refers to period April 1st, 2023, to Mar 31, 2024), the pharma division generated ~31.28% (previous year 46%) of the revenue and the mushroom division generated remaining i.e.~15.38% (previous year 17%) of the revenue. IIPL has established strong relationships with various reputed clientele over the long tenure of operations in all the segments. Strong customer relations have helped the company to fetch repeat orders.

  Moreover, the profitability margins of the company remain healthy. The EBITDA margin of the company increased to 24.94% in FY2024 from 23.39% in FY2023 (refers to period April 1st, 2022, to Mar 31, 2023). Further, the PAT margin of the company increased to13.12% in FY2024 from 10.13% in FY2023. In the medium term, the sustenance of the profitability margins of the company will be a key rating monitorable.

- **Healthy financial risk profile buoyed by comfortable leverage structure**

  The capital structure of the company remained conservative with its healthy net worth base supported by its low reliance on external debt. The company's tangible net worth witnessing steady growth on the back of increasing profit and stood at Rs. 306.69 Cr as on March 31, 2024, from Rs. 289.27 Cr as on March 31, 2023. Further, the adjusted debt of the company stood at Rs.82.75 Cr as on March 31, 2024, on account of IIPL has provided a corporate guarantee to Precasters India Private Limited amounting to Rs.15.10 Cr for the purpose of sanction of working capital limits. Again, the adjusted gearing of the company stood comfortable at 0.27x as on March 31, 2024, as against 0.29x as on March 31, 2023. The adjusted Total outside Liabilities/Tangible Net Worth (ATOL/TNW) also stood comfortable at 0.53x as on March 31, 2024, as against 0.64x as on March 31, 2023. Moreover, the debt protection metrics of the company stood moderately comfortable marked by Interest Coverage Ratio at 5.24x as on March 31, 2024, and Debt Service Coverage Ratio at 1.38x as on March 31, 2024. However, the adjusted total debt/EBITDA stood moderate at 2.50x as on March 31, 2024. Going forward, the financial risk profile of the company will improve with no major debt funded capex plans.

Key Rating Weaknesses

- **Modest scale of operations**

  The company has a modest scale of operations and subdued revenue growth in the past two years. The revenue of the company marginally declined by ~3.12% to Rs.132.77 Cr in FY2024 from Rs.137.04 Cr in FY2023 on account of decline in export of bulk drugs. Nevertheless, the company has achieved Rs.43.52 Cr in Q1FY2025 (Provisional). Further, the company has an unexecuted order book of Rs. 189.6 crore (i.e. 1.42 times of the revenue of FY2024) as on 30th September 2024, providing revenue visibility in the medium term. Going forward, the growth in the revenue of IIPL will be a key rating sensitivity.

- **Working capital intensive nature of operations**

  The working capital management of the company is intensive in nature marked by high operating cycle of 227 days as on 31st March 2024. The high operating cycle is primarily on account of high inventory days and debtor days. The debtor period stood high at 147 days as on 31st March 2024 due to retention money pertaining to building product division. Further, the inventory levels and raw material holding period also stood high at 180 days as on 31st March 2024 predominantly due to the mushroom segment, which is seasonal in nature and the building product segment which is an order-based business. Going forward, the working capital management of the company will remain at similar levels as evident from the high inventory level and moderate debtor level.

- **Vulnerability to change in government/regulatory guidelines and exposure to intense competition**

  The pharmaceutical segment is highly regulated, and hence, any adverse change in government/regulatory policies can impact the business risk profile of the company. Timely product and facility approval/renewal remains critical for the growth of sales going forward. All the business segments are characterised by intense competition across the value chain due to low product differentiation, and consequent intense competition, which limits the pricing flexibility of the players, including IIPL.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

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

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

[Policy on Withdrawal of ratings](#)

[Complexity level of rated Instruments/Facilities](#)

Liquidity– Adequate

The company has adequate liquidity position marked by sufficient net cash accruals which stood at Rs.23.94 Cr as on March 31, 2024, as against long term debt repayment of Rs.15.67 Cr over the same period. The current ratio stood comfortable at 1.54x as on March 31, 2024 and the quick ratio also stood comfortable at 1.00x as on March 31, 2024. The cash and bank balances of the company stood at Rs. 0.03 Cr as on March 31, 2024. The average fund-based limit utilisation remains moderate at 85.42 per cent over the twelve months ended August 2024. Going forward, the company is likely to maintain adequate liquidity position supported by steady accruals.

About the Company

Incorporated in 1979, Inventaa Chemicals Limited, (IIPL) is engaged as a producer and exporter of Trimethoprim (TMP), an Antibacterial Active Ingredient in pharma division, In-house plantation, processing, and sale of mushrooms in Agriculture Division and manufacturing & erecting of precast products in building products division and construction of industrial infrastructure and buildings.

Financials (Standalone): **(Rs. crore)**

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	137.04	132.77
EBITDA	32.05	33.11
PAT	13.89	17.43
Total adjusted Debt	85.31	82.75
Tangible Net Worth	289.27	306.69
EBITDA Margin (%)	23.39	24.94
PAT Margin (%)	10.13	13.12
Overall adjusted Gearing Ratio (x)	0.29	0.27
Interest Coverage (x)	5.49	5.24

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

CRISIL continues to maintain the rating of Inventaa Industries Private Limited in the Issuer Non-Cooperating category as the issuer remained non-cooperative as per the Press Release dated October 30, 2023.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 August 31, 2023	Date(s) & Rating(s) assigned in 2022-23 August 22, 2022	Date(s) & Rating(s) assigned in in 2021-22 June 03, 2021
1.	Term Loans	Long Term	14.57	IVR BBB/ Stable	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable
2.	GECL	Long Term	4.15	IVR BBB/ Stable	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable
3.	ECB	Long Term	-	Withdrawn	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable
4.	Cash Credit	Long Term	29.00	IVR BBB/ Stable	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable
5.	EPC/PCFC	Long Term	-	-	-	-	IVR BBB/ Stable
6.	EPC/PCFC	Short Term	10.00	IVR A3+	IVR A3+	IVR A3+	-
7.	Bank Guarantee	Short Term	10.00	IVR A3+	IVR A3+	-	IVR A3+
8.	Letter of Credit	Short Term	15.50	IVR A3+	IVR A3+	IVR A3+	-
9.	Letter of Credit/ Bank Guarantee	Short Term	-	-	-	IVR A3+	-
10.	Derivatives	Short Term	-	-	-	IVR A3+	-
11.	Proposed non fund-based facility	Short Term	46.78	IVR A3+	-	-	-
12.	Proposed term loans	Long Term	-	Withdrawn	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable

Analytical Contacts:

Name: Kaustav Saha Tel: (033) 48033621 Email: kaustav.saha@infomerics.com	Name: Sandeep Khaitan Tel: (033) 48033621 Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL 1	-	-	-	March 2025	0.78	IVR BBB/ Stable
GECL 2	-	-	-	February 2028	1.64	IVR BBB/ Stable
GECL 3	-	-	-	November 2024	0.10	IVR BBB/ Stable
GECL 4	-	-	-	March 2027	0.52	IVR BBB/ Stable
Commercial Equipment Loan 1	-	-	-	May 2025	0.30	IVR BBB/ Stable
Commercial Equipment Loan 2	-	-	-	May 2025	0.17	IVR BBB/ Stable
Commercial Equipment Loan 3	-	-	-	May 2025	0.06	IVR BBB/ Stable
Commercial Equipment Loan 4	-	-	-	May 2025	0.89	IVR BBB/ Stable
Commercial Equipment Loan 5	-	-	-	November 2025	0.43	IVR BBB/ Stable
Commercial Equipment Loan 6	-	-	-	November 2026	0.71	IVR BBB/ Stable
Commercial Equipment Loan 7	-	-	-	November 2026	0.21	IVR BBB/ Stable
Commercial Equipment Loan 8	-	-	-	December 2026	0.05	IVR BBB/ Stable
Commercial Equipment Loan 9	-	-	-	December 2026	0.05	IVR BBB/ Stable
Commercial Equipment Loan 10	-	-	-	November 2026	1.48	IVR BBB/ Stable
Commercial Equipment Loan 11	-	-	-	December 2026	0.86	IVR BBB/ Stable
Construction Equipment Loan 1	-	-	-	February 2026	0.55	IVR BBB/ Stable
Construction Equipment Loan 2	-	-	-	February 2026	0.21	IVR BBB/ Stable
Construction Equipment Loan 3	-	-	-	February 2026	0.08	IVR BBB/ Stable
Loan against Property	-	-	-	May 2037	5.57	IVR BBB/ Stable
Construction Equipment Loan 4	-	-	-	Feb 2027	1.48	IVR BBB/ Stable
GECL 5	-	-	-	March 2025	1.11	IVR BBB/ Stable
Construction Equipment Loan 5	-	-	-	June 2024	1.33	IVR BBB/ Stable
Construction Equipment Loan 6	-	-	-	August 2024	0.14	IVR BBB/ Stable
Cash Credit 1	-	-	-	-	24.00	IVR BBB/ Stable
Cash Credit 2	-	-	-	-	5.00	IVR BBB/ Stable
EPC/ PCFC	-	-	-	-	10.00	IVR A3+
Bank Guarantee	-	-	-	-	10.00*	IVR A3+
Letter of Credit 1	-	-	-	-	1.00	IVR A3+
Letter of Credit 2	-	-	-	-	14.50**	IVR A3+
Proposed non fund based facility	-	-	-	-	46.78	IVR A3+

*LC of Rs. 10.00 crore is the sublimit of BG
**BG of Rs. 14.50 crore is the sublimit of LC

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-inventaa-nov24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/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.