



## Press Release

Vinyas Innovative Technologies Limited

September 11, 2024

### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	100.00	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	60.00	IVR A3 (IVR A three)	-	Assigned	Simple
<b>Total</b>	<b>160.00 (INR hundred and sixty crore only)</b>				

**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 Vinyas Innovative Technologies Limited (VITL) derives strength from experienced management and long track record of operations of the company in the electronics industry. The ratings also favourably factors in the improvement in the business risk profile of the company buoyed by increase in the scale of operations coupled with healthy order book position, healthy financial risk profile and adequate liquidity position of the company. However, these rating strengths are constrained due to the working capital intensive nature of operations and customer concentration risk.

### 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 requirements efficiently leading to improvement in the operating cycle with improvement in liquidity.

#### Downward Factors



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- 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

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

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

Vinyas Innovative Technologies Limited has a long operational track record in the PCB manufacturing business for more than two decades. The company is engaged in design, engineering and electronics manufacturing services catering to global Original Equipment Manufacturers (OEMs) and Original Design Manufacturers (ODMs) in Electronic Industry. In addition to this, the founder and managing director of the company Mr. Narendra Narayanan has been in the industry for around four decades, again, Mr. T.R Srinivasan, who is a director of the company and looks after day-to-day operations of the company, has an experience for more than three decades. The promoters' background, experience and their strong understanding of the local market dynamics, and healthy relations with suppliers and customers will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Improvement in business risk profile buoyed by increase in scale of operations coupled with healthy order book position**

The improvement in the business risk profile of the company is primarily on account of the increase in the revenue of the company which witnessed a 2-year CAGR growth of ~22.96% to Rs. 319.13 Cr in FY2024 (refers to period April 1st, 2023, to Mar 31, 2024) from Rs. 207.22 Cr in FY2022 (refers to period April 1st, 2021, to Mar 31, 2022) on account of substantial rise in the demand of printed circuit board (PCB) in the electronics manufacturing market. Furthermore, the company has an orders in pipeline of Rs. 1465.36 crore (i.e. 4.60 times of the revenue of FY2024) as on 31<sup>st</sup> July, 2024 from various business segments, providing revenue visibility in the medium term. It can be expected that the scale of operations will be boosted further buoyed by the healthy order book position going forward.



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Moreover, the company's EBIDTA Margin has increased to 10.89 per cent in FY2024 as compared to 9.64 per cent in FY2023 (refers to period April 1st, 2022, to Mar 31, 2023) on account of economies of scale. However, the EBITDA margin is expected to remain range bound in the medium term. Further, the PAT Margin has also increased to 4.78 per cent in FY2024 as compared to 3.07 per cent 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 supported by recent Initial Public Offering**

VITL has a comfortable capital structure. The tangible net worth (TNW) of the company increased to Rs. 127.55 Crore as on March 31, 2024, from Rs. 44.62 Crore as on March 31, 2023, on account of receipt of a total of Rs.72.66 crore as part of equity infusion by investors in Q1FY2024 and subsequently through IPO in October 2023. Further, overall gearing of the company improved to 0.76x in FY2024 as against 1.93x as on March 31, 2023. Again, the TOL/TNW of the company improved to 1.42x in FY2024 as against 3.82x in FY2023. The debt protection metrics of the company stood comfortable, marked by interest coverage ratio at 2.62x in FY2024 and debt service coverage ratio at 1.91x in FY2024. However, the total Debt/EBITDA stood high at 2.78x in FY2024. Going forward, the financial risk profile of the company will improve with no major debt funded capex plans.

### Key Rating Weaknesses

- **Working capital intensive nature of operations**

The working capital management of the company is intensive marked by high operating cycle at 143 days as on 31st March 2024 as compared to 159 days as on 31st March 2023. The operating cycle is predominantly driven by the high inventory and moderate debtor level during the same period. The inventory holding stood high at 140 days as on 31st March 2024 as compared to 187 days as on 31st March 2023, on account of high raw material holding period which are mainly imported from outside India. Further, the debtor period stood at 63 days as on 31st March 2024 as compared to 61 days on 31st March 2023. The moderate debtor level is due to the elongated payment owing to procedural delays, majorly from the defense segment. In addition to this, working capital requirement is partially supported by the creditor period, which stood at 60 days as on 31st March 2024 as compared to 88 days as on 31st March 2023. 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.



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- **Customer concentration risk**

The company is exposed to client concentration risk, as the top three customers contribute ~72.29% in FY2024. Further, the majority of the revenue of VITL generates from the defense and aerospace segment, implying an industry concentration risk as well. Currently, the company has received around 60% of the total order from the defense and aerospace segment.

**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](#)

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

**Liquidity– Adequate**

The company has adequate liquidity position marked by net cash accruals which stood at Rs.17.93 Cr as on March 31, 2024, as against long term debt repayment of Rs.3.09 Cr over the same period. Further, the current ratio stood comfortable at 1.52x as on March 31, 2024, and the Quick ratio stood at 0.85x as on March 31, 2024. The cash and bank balances of the company stood at Rs.1.26 Cr as on March 31, 2024. The average fund-based limit utilisation at 77.28 per cent over the twelve months ended July 2024. Going forward, the company is likely to maintain adequate liquidity position supported by steady accruals.

**About the Company**

Incorporated in 2021, Vinyas Innovative Technologies Limited (VITL) is a Karnataka based company engaged in designing, engineering and electronics manufacturing services (EMS) for the original equipment manufacturers (OEMs) and original design manufacturers (ODMs) in the electronics industry, with the key product being printed circuit boards (PCBs). The company provides end-to-end solutions including design for manufacturability, supply chain management, PCB assembly and advanced test solutions, product integration and after-market support to OEMs and ODMs, with the company's manufacturing facility is located at



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Mysuru. The company is promoted by Mr. Nagendra Narayanan, who is also the Managing Director of the company. The company's equity shares are listed on the NSE Emerge (SME) platform. The company is catering its services mainly to six industries, they are Aerospace & Defence, Medical, Automotive, Industrial, Telecommunication and Consumers.

### Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	236.78	319.13
EBITDA	22.83	34.74
PAT	7.34	15.35
Total Debt	85.97	96.70
Tangible Net Worth	44.62	127.55
EBITDA Margin (%)	9.64	10.89
PAT Margin (%)	3.07	4.78
Overall Gearing Ratio (x)	1.93	0.76
Interest Coverage (x)	1.81	2.62

\* Classification as per Infomerics' standards.

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

**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	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	GECL	Long Term	20.00	IVR BBB-/ Stable	-	-	-
2.	Cash Credit I	Long Term	20.00*	IVR BBB-/ Stable	-	-	-
3.	Cash Credit II	Long Term	20.00**	IVR BBB-/ Stable	-	-	-
4.	Cash Credit III	Long Term	22.00***	IVR BBB-/ Stable	-	-	-
5.	Cash Credit IV	Long Term	18.00	IVR BBB-/ Stable	-	-	-
6.	Letter of Credit	Short Term	10.00#	IVR A3	-	-	-
7.	Bank Guarantee	Short Term	50.00##	IVR A3	-	-	-

\* ODBD, PC/PCFC, FBE/FDB/BRD of Rs. 5.50 crore and Rs. 20.00 crore respectively is the sublimit of Cash Credit of Canara Bank.

\*\* PCFC, Post shipment credit of Rs. 20.00 crore and Rs. 20.00 crore respectively is the sublimit of Cash Credit of HDFC Bank.





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\*\*\*Foreign Currency Demand Loan/Export Packaging Credit (EPC/PCFC) and Foreign Bill Purchased/ Discounted (FBP/FBD)/EBRD/PSCFC/Collection Bill/ Negotiable of foreign bill under LC of Rs. 15.00 crore, Rs. 20.00 crore and Rs. 20.00 crore respectively is the sublimit of Cash Credit of Axis Bank

#Bank Guarantee and SBLC for BC-WC of Rs. 10.00 crore and Rs. 10.00 crore respectively is the sublimit of letter of credit of HDFC Bank. TL for Gift city-WC is the sub-limit of SBLC for BC-WC of Rs. 10.00 crore of HDFC Bank.

##Letter of credit and SBLC for Buyer's Credit of Rs. 10.00 crore and Rs. 10.00 crore respectively is the sublimit of Bank Guarantee and sublimit of letter of credit respectively of Axis Bank.

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### 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](http://www.infomerics.com).

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recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupo n Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL I	-	-	-	August, 2028	7.51	IVR BBB-/Stable
GECL II	-	-	-	August, 2029	12.49	IVR BBB-/ Stable
Cash Credit I	-	-	-	-	20.00*	IVR BBB-/ Stable
Cash Credit II	-	-	-	-	20.00**	IVR BBB-/ Stable
Cash Credit III	-	-	-	-	22.00***	IVR BBB-/ Stable
Cash Credit IV	-	-	-	-	18.00	IVR BBB-/ Stable
Letter of Credit	-	-	-	-	10.00#	IVR A3
Bank Guarantee	-	-	-	-	50.00##	IVR A3

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##Letter of credit and SBLC for Buyer's Credit of Rs. 10.00 crore and Rs. 10.00 crore respectively is the sublimit of Bank Guarantee and sublimit of letter of credit respectively of Axis Bank.

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-vinyas-sep24.pdf>

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



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**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](http://www.infomerics.com).

