



## Press Release

### Inventaa Industries Private Limited

August 22, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	79.00 (reduced from Rs. 94.50 crore and includes proposed facility of Rs. 13.25 crore)	IVR BBB/ Stable (IVR triple B with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	31.00 (enhanced from Rs. 15.50 crore and includes proposed facility of Rs. 5.50 crore)	IVR A3+ (IVR A three plus)	Reaffirmed	Simple
<b>Total</b>	<b>110.00</b> <b>(INR One hundred and ten crore only )</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Inventaa Industries Private Limited (IIPL) continues to derive strength from experienced promoters, improvement in topline and profitability in FY22 (provisional), comfortable financial risk profile marked by satisfactory gearing with healthy debt protection metrics, diversified revenue profile and reputed clientele base. However, these rating strengths remain constrained due to the company's modest scale of operations, vulnerability to change in government/regulatory guidelines, exposure to intense competition and product concentration and working capital intensive nature of operations

#### Key Rating Sensitivities:

##### Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals.
- Improvement in the debt protection metrics
- Improvement in working capital management with improvement in operating cycle

##### Downward Factors



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- Dip in operating income or profitability impacting the debt coverage indicators.
- Moderation in the capital structure with moderation in overall gearing to more than 1 times.
- Further elongation in operating cycle impacting the liquidity

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters**

Having more than two decades of experience in the bulk drugs and drug intermediates manufacturing business, Mr Satyanarayana Cherkuri is the Chairman & Managing Director of IIPPL. Further, he is a qualified Chemical Engineer and have established strong relationships with various counterparties including suppliers and customers over the long tenure of operations in this field.

- **Improvement in topline and profitability in FY22 (provisional)**

The company's topline and profitability improved in FY22 (provisional) after suffering a decline in FY20 and FY21. TOI improved by ~15% y-o-y in FY22 (provisional) to Rs.127.77 crore, due to increase in contribution from Pharma and building products segment. EBITDA and PAT increased ~6% and ~13% y-o-y, respectively in FY22 (provisional) to Rs. 29.79 crore and Rs. 16.53 crore, respectively. Infomerics believes that the normalisation of economic activities will aid the company's topline growth going forward.

- **Comfortable financial risk profile marked by satisfactory gearing with healthy debt protection metrics**

The financial risk profile of IIPLL is marked by its healthy net worth base, comfortable gearing and healthy debt protection metrics. The net worth stood healthy at of Rs.277.13 crore as on March 31, 2022 (provisional) as against Rs.260.59 crore as on March 31, 2021. With a strong net worth base, the leverage ratios remained comfortable marked by the overall gearing ratio at 0.25x as on March 31,2022 (provisional). Further, the total indebtedness of the company also remained comfortable at 0.50x as on March 31, 2022 (provisional)(0.51x as on March 31,2021). The debt protection metrics of the company also remained strong as reflected by DSCR of 1.22x in FY 2022 (provisional) vis a vis 1.21x in FY2021. Further interest coverage ratio stood at 6.58 times in FY 2022 vis a vis 6.19 times



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in FY2021. Going forward, Infomerics believes the financial risk profile to remain healthy as IIPL has lower reliance on external debt will maintain a conservative capital structure.

- **Diversified revenue profile**

The company has diversified revenue profile however the pharma division remained the key revenue contributor in FY22 (provisional) with ~57% revenue, followed by manufacturing of building products division with ~28% and mushroom farming division with ~14%.

- **Reputed clientele**

The company has established strong relationships with various reputed clientele over the long tenure of operations in this field. Some of its customers are BASF SE of Germany, Larsen & Toubro Limited, Novozymes of Denmark among others. Strong customer relations have helped the company to fetch repeat orders.

### Key Rating Weaknesses

- **Modest scale of operations**

The scale of operations of the company remained modest over the years despite its long track record of operations. The total operating income of the company stood at ~Rs.127.77 crore in FY22 (prov) which is relatively small compared to companies in bulk drugs manufacturing. Small scale of operations restricts the financial risk profile of the company to an extent. Infomerics expects that the scale of operations of the company will continue to remain modest in the near term.

- **Vulnerability to change in government/regulatory guidelines**

The pharmaceutical industry is highly regulated, and hence, any adverse change in government/regulatory policies can impact the business risk profile of the Company. Company needs to be constantly updated with the changing guidelines. Timely product and facility approval/renewal remains critical for the growth of sales going forward

- **Exposure to intense competition and product concentration**

The bulk drugs and drug intermediates manufacturing business 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. Further, most of the revenue in the bulk drugs segment is derived from two-three products, resulting in high product concentration risk.



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- **Working capital intensive nature of operations**

The operating cycle of the company remained elongated over the past years mainly due to the nature of business which requires the company to maintain a high level of raw material inventory to ensure uninterrupted production. Moreover, the collection period of the company in the building product segment also remained elongated. The operating cycle of the company remained high at 198 days, albeit some moderation compared with operating cycle of 223 days in FY21.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

**Liquidity – Adequate**

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY23-FY25. Moreover, the overall gearing ratio was comfortable at 0.25x as on March 31, 2022 (provisional) indicating a sufficient gearing headroom. The average fund-based utilisation for the past twelve months ended June, 2022 remained moderate at ~80% indicating a sufficient cushion.

**About the Company**

Inventaa Chemicals Limited was incorporated in 1979 as a Private Limited Company. It was converted into a deemed Public Limited Company with effect from 06-07-1990. The Company is closely held and is headed by Mr. C. Satyanarayana, Managing Director and his relatives and friends. The Company is converted into Private Ltd company and name is changed to Inventaa Industries Private Limited (IIPL) w.e.f 07/07/2017 onwards. Hyderabad based IIPL manufactures bulk drugs and drug intermediates. It is also engaged in plantation, processing, and sale of mushrooms. The company commenced commercial operations of building products on March 23, 2018. The manufacturing facilities of the company are located in Keesara, Vijayawada, & Patancheru, Telangana. The company also exports bulk drugs to countries like Germany, Denmark, Poland, USA, Egypt etc.



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### Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31-March-21 (Audited)	31-March-22 (Prov)
Total Operating Income	110.57	127.77
EBITDA	28.17	29.79
PAT	14.65	16.53
Total Debt	74.98	69.55
Tangible Net-worth	260.59	277.13
EBITDA Margin (%)	25.48	23.32
PAT Margin (%)	12.99	12.72
Overall Gearing Ratio (x)	0.29	0.25

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Via a press release dated June 17, 2021, CRISIL ratings migrated the rating on bank facilities of the company to 'CRISIL BB+/Stable/CRISIL A4+ Issuer not cooperating' from 'CRISIL BBB/Negative/CRISIL A3+', as the company did not provide the requisite information needed to conduct the rating exercise.

### Any other information:

#### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 June 3, 2021	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	58.00	IVR BBB/Stable	IVR BBB/Stable	-	-
2.	Cash Credit	Long Term	21.00	IVR BBB/Stable	IVR BBB/Stable	-	-
3.	EPC/PCFC	Long Term	-	-	IVR BBB/Stable	-	-
4.	EPC/PCFC	Short Term	10.00	IVR A3+	-	-	-
5.	Bank Guarantee	Short Term	-	-	IVR A3+	-	-





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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 June 3, 2021	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
6.	Letter of Credit	Short Term	1.00	IVR A3+	IVR A3+	-	-
7.	Letter of credit/Bank Guarantee	Short Term	15.00	IVR A3+	-	-	-
8.	Derivatives	Short Term	5.00	IVR A3+	-	-	-

### Name and Contact Details of the Rating Analyst:

Name Ms. Sapna Bagaria Tel: 033-4803 3621 Email: <a href="mailto:sapna.bagaria@infomerics.com">sapna.bagaria@infomerics.com</a>	Name: Mr. Sandeep Khaitan Tel: 033-4803 3621 Email: <a href="mailto:sandeep.khaitan@infomerics.com">sandeep.khaitan@infomerics.com</a>
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### About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy,



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hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not 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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL 1	-	-	Mar 2025	3.57	IVR BBB/ Stable
GECL 2	-	-	Feb 2028	1.94	IVR BBB/ Stable
GECL 3	-	-	Mar 2025	1.78	IVR BBB/ Stable
GECL 4	-	-	Nov 2024	1.74	IVR BBB/ Stable
GECL 5	-	-	Mar 2027	1.12	IVR BBB/ Stable
ECB 1	-	-	Jun 2023	4.80	IVR BBB/ Stable
ECB 2	-	-	Dec 2023	15.74	IVR BBB/ Stable
Commercial Equipment Loan 1	-	-	Dec 22	0.25	IVR BBB/ Stable
Commercial Equipment Loan 2	-	-	Mar 23	0.24	IVR BBB/ Stable
Commercial Equipment Loan 3	-	-	Mar 23	0.04	IVR BBB/ Stable
Commercial Equipment Loan 4	-	-	Mar 23	0.04	IVR BBB/ Stable



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Commercial Equipment Loan 5	-	-	Apr 23	0.51	IVR BBB/ Stable
Used Commercial Equipment Loan	-	-	Jul 23	2.44	IVR BBB/ Stable
Construction Equipment Loan 1	-	-	Jun 2024	2.65	IVR BBB/ Stable
Construction Equipment Loan 2	-	-	Aug 2024	0.26	IVR BBB/ Stable
Construction Equipment Loan 3	-	-	Jun 2023	0.33	IVR BBB/ Stable
Construction equipment loan 4	-	-	Jun 2024	1.25	IVR BBB/ Stable
Loan Against Property	-	-	May 2037	6.05	IVR BBB/ Stable
Cash Credit 1	-	-	-	1.00	IVR BBB/ Stable
Cash Credit 2	-	-	-	20.00	IVR BBB/ Stable
Proposed Term Loan	-	-	-	13.25	IVR BBB/ Stable
EPC/PCFC	-	-	-	10.00	IVR A3+
Letter of Credit	-	-	-	1.00	IVR A3+
Derivatives	-	-	-	5.00	IVR A3+
Letter of Credit/Bank Guarantee	-	-	-	9.50	IVR A3+
Proposed Letter of Credit/Bank Guarantee	-	-	-	5.50	IVR A3+

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Inventaa-aug22.pdf>





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**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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).

