



Press Release

Inventaa Industries Private Limited

August 31, 2023

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	86.50 (Enhanced from Rs.79.00 Crs)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	43.50 (Enhanced from Rs.31.00 Crs)	IVR A3+ (IVR A Three plus)	Reaffirmed	Simple
Total	130.00 (INR One hundred thirty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Inventaa Industries Private Limited (IIPL) continues to derive comfort from its experienced promoters and long track record of operations, comfortable financial risk profile marked by satisfactory gearing with healthy networth and 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

- Substantial and sustained growth in operating income and profitability leading to improvement in cash accruals and debt protection metrics.
- Improvement in working capital management with improvement in operating cycle.



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Downward Factors

- Dip in operating income and/or profitability impacting the debt protection metrics.
- 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

Established business with extensive industry experience of promoters.

The promotor of the company 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 IIPL. 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. The company has established its track record of operations since 1990.

Comfortable financial risk profile

The financial risk profile of IIPL is marked by comfortable profitability, healthy net worth base, comfortable gearing and healthy debt coverage indicators. The EBITDA margin stood comfortable at 20.45% in FY23 (provisional) compared to 22.33% in FY22. The net worth stood healthy at of Rs.291.88 crore as on March 31, 2023 (provisional) as against Rs.275.38 crore as on March 31, 2022. With a strong net worth base, the leverage indicator remained below unity marked by the overall gearing ratio at 0.25x as on March 31, 2023 (provisional) compared to 0.26x in FY22. Further, the total indebtedness of the company also remained comfortable at 0.58x as on March 31, 2023 (provisional) (0.53x as on March 31, 2022). The debt protection metrics of the company also remained strong as reflected by DSCR of 3.74 in FY 2023 (provisional) vis a vis 1.16 in FY2021. Further interest coverage ratio stood at 6.67 times in FY 2023 vis a vis 6.18 times in FY2022. 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.



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Diversified revenue profile

The company has diversified revenue profile however the pharma division remained the key revenue contributor in FY23 (provisional) with ~46% revenue, followed by manufacturing of building products division with ~37% and mushroom farming division with ~17%.

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.133.72 crore in FY23 (provisional) 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



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the revenue in the bulk drugs segment is derived from two-three products, resulting in high product concentration risk.

Working Capital Nature of Business

The company's operations are working capital intensive as 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 199 days in FY23 (provisional), albeit some moderation compared with operating cycle of 205 days in FY22.

Analytical Approach: Standalone

Applicable Criteria

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The liquidity position of the Company remained adequate as reflected gross cash accruals of Rs. 22.68 crore in FY23 (Provisional) as against maturing debt obligations of around ~ Rs. 12.00 crores. The same expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY24-FY26. The current ratio stood moderate at 1.56x in FY23 (Provisional). The fund based average working capital utilisation stood high at 87% for the past 12 months ended June 2023.

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



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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.

Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31.03.2022	31.03.2023
	Audited	Provisional
Total Operating Income	123.38	133.72
EBIDTA	27.55	27.35
PAT	13.78	15.51
Total Debt	71.56	72.04
Tangible Net Worth	275.38	291.88
EBDITA Margin (%)	22.33	20.45
PAT Margin (%)	10.91	11.31
Overall Gearing Ratio (x) on Net Adjusted TNW	0.26	0.25
Interest Coverage Ratio (X)	7.02	6.67

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Via a press release dated August 29, 2022, CRISIL ratings migrated the rating on bank facilities of the company to Issuer not cooperating category as the company did not provide the requisite information needed to conduct the rating exercise.

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Current Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
					August 22, 2022	June 03, 2021	
1.	Term Loans	Long Term	63.50*	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	-
2.	Cash Credit	Long Term	23.00	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	-
3.	EPC/PCFC	Long Term	-	-	-	IVR BBB/ Stable	-
4.	EPC/PCFC	Short Term	10.00	IVR A3+	IVR A3+	-	-
4.	Bank Guarantee	Short Term	18.00	IVR A3+	-	IVR A3+	-
5.	Letter of Credit	Short Term	15.50	IVR A3+	IVR A3+	-	-
	Letter of Credit/Bank Guarantee	Short Term	-	-	IVR A3+	-	-
6.	Derivatives	Short Term	-	-	IVR A3+	-	-
	Total		130.00				

*including proposed term loan of Rs. 34.70 crore

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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



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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.

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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-25	2.23	IVR BBB/ Stable
GECL 2	-	-	Feb-28	1.94	IVR BBB/ Stable
GECL 3	-	-	Mar-25	1.11	IVR BBB/ Stable
ECB	-	-	Dec-23	4.45	IVR BBB/ Stable
GECL 4	-	-	Nov-24	0.41	IVR BBB/ Stable
GECL 5	-	-	Mar-27	0.59	IVR BBB/ Stable
Commercial Equipment Loan 1	-	-	May-25	0.69	IVR BBB/ Stable
Commercial Equipment Loan 2	-	-	May-25	0.40	IVR BBB/ Stable
Commercial Equipment Loan 3	-	-	May-25	0.13	IVR BBB/ Stable
Commercial Equipment Loan 4	-	-	May-25	2.07	IVR BBB/ Stable
Commercial Equipment Loan 5	-	-	Nov-25	0.77	IVR BBB/ Stable
Commercial Equipment Loan 6	-	-	Nov-26	1.01	IVR BBB/ Stable
Commercial Equipment Loan 7	-	-	Nov-26	0.44	IVR BBB/ Stable
Commercial Equipment Loan 8	-	-	Nov-26	2.09	IVR BBB/ Stable
Commercial Equipment Loan 9	-	-	Dec-26	1.20	IVR BBB/ Stable
Construction Equipment Loan 1	-	-	Jun-24	1.33	IVR BBB/ Stable
Construction Equipment Loan 2	-	-	Aug-24	0.14	IVR BBB/ Stable
Construction Equipment Loan 3	-	-	Feb-26	0.88	IVR BBB/ Stable
Construction Equipment Loan 4	-	-	Feb-26	0.34	IVR BBB/ Stable
Construction Equipment Loan 5	-	-	Feb-26	0.12	IVR BBB/ Stable
Loan Against Property	-	-	May-37	5.83	IVR BBB/ Stable
Construction Equipment loan 6	-	-	Jun-24	0.63	IVR BBB/ Stable
Proposed Term Loan	-	-	-	34.70	IVR BBB/ Stable
Cash Credit 1	-	-	-	20.00	IVR BBB/ Stable
Cash Credit 2	-	-	-	3.00	IVR BBB/ Stable



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EPC/PCFC	-	-		10.00	IVR A3+
Letter of Credit 1	-	-		1.00	IVR A3+
Bank Guarantee	-	-		18.00	IVR A3+
Letter of Credit 2	-	-		14.50*	IVR A3+

**Bank Guarantee of Rs.14.50 crore is a sublimit of Letter of Credit.*

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-aug23.pdf>

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.