

## Design and Manufacturing Vista Electronics Private Limited <sup>(Revised)</sup>

January 20, 2023

| Facilities/Instruments                 | Amount (₹ crore) | Rating <sup>1</sup>        | Rating Action |
|--|------------------|----------------------------|---------------|
| Long Term / Short Term Bank Facilities | 20.00            | CARE BBB; Stable / CARE A3 | Assigned      |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Design and Manufacturing Vista Electronics Private Limited (DMPL) derive strength from the experienced & resourceful promoters, growing scale of operations; healthy profitability margins & order book position and comfortable capital structure with adequate liquidity. The ratings, however, remain constrained by the high reliance of revenue on few major orders for revenue, business risk associated with tender-based orders, trading nature of operations and initial stages of owned manufacturing operations.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustainable growth in the income of group to ~200 crore along with PBILDT of more than Rs.60 crore backed by minimum free cash and bank balance of ~Rs.100 crore.

#### Negative factors

- Significant decline in income below Rs.100 crore
- Significant decline in the order book of the group below Rs.100 crore

### Analytical approach: Combined

The financial and business risk profiles of Vista Information Systems Private Limited (VISPL) and Design and Manufacturing Vista Electronics Private Limited (DMPL) have been combined since both the entities are engaged in a similar line of business, have operational linkages, common promoters and common management personnel.

### Key strengths

#### Experienced & resourceful promoters:

Design and Manufacturing Vista Electronics Private Limited is promoted by Mr. Vivek Agarwal and Ms. Chandni Agarwal. Mr Vivek is an entrepreneur and has done IT business across the globe and has considerable experience in the IT sector. The promoters are well supported by an experienced and well-qualified management and technical team.

#### Growing scale of operations:

Vista Group (VG) has growing scale of operations as during FY22, Total Income of group increased by ~166% y-o-y and remain at Rs.151.66 crore (P.Y.: Rs.56.92 crore). The significant improvement is mainly on account of commencement of manufacturing operations from FY22 onwards mainly in the manufacturing of various blocks of the GSM-R. The growth in scale of operations was on account of new orders received by the both the companies. Furthermore, the group has already achieved 103% of FY22's revenue in 9MFY23 and recorded total operating income of Rs.156.82 crore.

#### Healthy profitability margins:

The profitability margins of the group remained healthy as reflected through PBILDT and PAT margins of 32.04% and 26.11% respectively in FY22 as against 6.4% and 4.66% respectively in FY21 the significant improvement in the margins are on account of healthy margins generated in DMPL due to inhouse assembling of the various blocks of the GSM-R system. In 9FY23, the PBILDT margin at group level stood at 38%.

### Reputed client base and healthy order book position providing fair medium-term revenue visibility:

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

As on December 31, 2022, Vista Group (VG) has a healthy order book position of Rs.332.47 crore which is largely to be executed in near future. The group's order book to sales ratio stood at 2.19x based on FY22 revenue this gives a medium term revenue visibility (orders to be executed by FY23 and FY24). VG faces lower counter party risk since majority of its customers are large institutions and government organizations and have good credit profile.

**Comfortable capital structure with adequate liquidity with sufficient cash margins:**

The capital structure of the group stood comfortable as reflected from comfortable debt equity ratio and overall gearing at 0.03x and 0.03x FY22. There is no term debt taken by the group to support the operations and only uses bank guarantees limits, which are also majorly backed by fixed deposit (margin requirement of 70% of FDR). Further, the coverage indicators are comfortable as there was no Interest cost incurred by the group as against healthy profitability and total debt to GCA stood comfortable at 0.04x in FY22 as against 0.19x in FY21.

VG has efficient working capital management as reflected by negative operating cycle at -5 days mainly on account of credit period received by the group from its suppliers of around 6 months (LC backed) as against lower collection days. Due to the profitable operations, and lower working capital requirement, the liquidity position remain strong backed by sufficient free cash and cash equivalent. The company mainly relies on non-fund-based limits to procure material from its suppliers and doesn't have any reliance on fund based working capital limits.

**Key weaknesses****Concentration of revenue on few major orders for revenue:**

Vista Group generated most of its revenue from few orders only and the top-5 clients accounted for more than 70% of the total unexecuted order book the group, exposing the group to customer concentration risk, the risk is mitigated to some extent as the major revenue contributors of the group are well established players and government entities like Indian railways and other large private sector companies

**Business risk associated with tender-based orders:**

VG majorly undertakes government projects, which are awarded through the tender-based system. This exposes the group towards risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. This apart, any changes in the government policy or government spending on projects are likely to affect the revenues and profits of the company.

**Trading nature of business and initial stages of owned manufacturing operations:**

Vista Group was engaged in the business of trading and installation of telecom equipment which they import from Europe and Japan but in February 14, 2020 they started manufacturing of various blocks of the GSM-R system in India under Design and Manufacturing Vista Electronics Private Limited (DMPL). On account of manufacturing business revenue and profitability margins of the group improved substantially in FY22 however, sustainability of revenue and margins in future will be the key rating sensitivity.

**Liquidity: Adequate**

Group has adequate liquidity as reflected through healthy cash accruals generated from the business as against nil reliance on external bank borrowings. Furthermore, group has sufficient cash and bank balance in order to meet the near-term working capital requirement. Liquidity ratios of the group are also comfortable and above unity.

**Applicable criteria**

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Infrastructure Sector Ratings](#)

[Policy on Withdrawal of Ratings](#)

### About the company

Vista Group (VG) started manufacturing various blocks of the GSM-R system in India in accordance with the Make in India policy of the Government of India under Design and Manufacturing Vista Electronics Private Limited (DMPL) which they have incorporated in February 14, 2020.

Vista Group is also a market leader in the Diagnostics of Rail and Metros. It has bagged orders for the most sophisticated equipment ever bought by Indian Railways and Indian Metros. Imbibing these technologies helps Indian Railways and Indian Metros operate efficiently and maintain their infrastructure.

Vista operates with 14+ novel technologies and operations in 6 eminent market segments i.e. railways telecom networks, state-wide rural broadband network, railway diagnostics, oil & gas, broadband networks and metros.

| Brief Financials (₹ crore)<br>(Standalone) | March 31, 2021 (A)* | March 31, 2022 (A) | 9MFY23 (Prov.) |
|--|---------------------|--------------------|----------------|
| Total operating income                     | 0.00                | 86.00              | 56.17          |
| PBILDT                                     | 0.00                | 42.86              | 38.79          |
| PAT  | 0.00                | 35.48              | NA             |
| Overall gearing (times)                    | NM                  | 0.04               | NA             |
| Interest coverage (times)                  | NM                  | NM                 | NM             |

\*Operations of the company started from July 2021

A: Audited; Prov: Provisional

NM: Not meaningful; NA: Not Available

| Brief Financials (₹ crore)<br>(Combined) | March 31, 2021 (A) | March 31, 2022 (A) | 9MFY23 (Prov.) |
|--|--------------------|--------------------|----------------|
| Total operating income                   | 56.92              | 151.66             | 156.82         |
| PBILDT                                   | 3.64               | 48.59              | 58.99          |
| PAT                                      | 2.66               | 39.60              | NA             |
| Overall gearing (times)                  | 0.04               | 0.03               | NA             |
| Interest coverage (times)                | NM                 | NM                 | NM             |

A: Audited; Prov: Provisional

NM: Not meaningful; NA: Not Available

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

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

| Name of the Instrument                | ISIN | Date of Issuance<br>(DD-MM-YYYY) | Coupon Rate<br>(%) | Maturity Date (DD-MM-YYYY) | Size of the Issue<br>(₹ crore) | Rating Assigned along with Rating Outlook |
|---------------------------------------|------|----------------------------------|--------------------|----------------------------|--------------------------------|---|
| Non-fund-based - LT/ST-Bank Guarantee |      | -                                | -                  | -                          | 20.00                          | CARE BBB; Stable / CARE A3                |

**Annexure-2: Rating history for the 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 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1       | Non-fund-based - LT/ ST-Bank Guarantee | LT/ST*          | 20.00                        | CARE BBB; Stable / CARE A3 |   |   |   |   |

\*Long term/Short term.

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

**Annexure-4: Complexity level of the various instruments rated**

| Sr. No. | Name of the Instrument                 | Complexity Level |
|---------|--|------------------|
| 1       | Non-fund-based - LT/ ST-Bank Guarantee | Simple           |

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

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

**Contact us****Media contact**

Name: Mradul Mishra

Phone: +91-22-6754 3596

E-mail: [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)**Analyst contact**

Name: Amit Jindal

Phone: 9873003949

E-mail: [amit.jindal@careedge.in](mailto:amit.jindal@careedge.in)**Relationship contact**

Name: Dinesh Sharma

Phone: +91-11-4533 3200

E-mail: [dinesh.sharma@careedge.in](mailto:dinesh.sharma@careedge.in)**About us:**

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