Vistas Investments Private Limited

March 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Short-term bank facilities	10.00	CARE A3+	Downgraded from CARE A2

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in rating assigned to short-term bank facilities of Vistas Investments Private Limited (VIPL) primary factors in significant reduction in cash and liquid investments from ₹99 crore as on March 31, 2023 to ₹37 crore as on October 30, 2024, with further decline anticipated considering use of funds for purchase of property for its top management and also to fund its working capital requirement. The receivables had elongated from ₹14 crore in FY23 to ₹64 crore in FY24 as a result of higher credit period offered to its customers in African countries. Ratings continue to derive strength from satisfactory risk profile, experienced promoters and long-standing relationship with customers and suppliers, and diversified product profile.

However, these strengths are partially offset by moderate scale of operations, geographical concentration and political risk associated with African countries where it derives majority revenue and forex risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sales of more than ₹500 crore, net worth of more than ₹200 crore while maintaining net debt negative position.

Negative factors

- Deterioration of total outside liability to total net worth (TOL/TNW) beyond 0.5x.
- Deterioration in liquidity position with cash and cash equivalents reducing to less than 1x of rated limit.

Analytical approach: Standalone

Detailed description of key rating drivers:

Key strengths

Long standing relationship with customers and suppliers along with diversified product profile

VIPL has been dealing with its major customers and suppliers for over 15 years which helped it in scaling up revenues. VIPL procures the products on the basis of orders and exports them to dealer networks in African countries. Domestic procurements are done from Gujarat, Delhi, Mumbai and Hyderabad. Procurement of ethanol and glass bottles is done from Thailand.

Continuing satisfactory financial risk profile

The gross margins on products vary from products and countries. The company receives margin of 15-20% on bottles depending on the countries and goods such as publicity materials, spares, and gum tapes among others fetched variable profits depending on the demand for these products.

PBILDT margins continue to remain fluctuating with nature of products traded. Given its trading nature of business, despite volatility in margin, the margin remains relatively high compared to other trading entities. The PBILDT margin declined to 7.2% in FY24 from 9.41% in FY23, primarily lead by change in product mix, trading of products with lower margins. However, the margin improved to 12.50% in 7MFY25 primarily lead by higher share of glass revenue in overall sales mix.

Experienced promoters

VIPL is incorporated in the year 1987 by Madhukar Reddy and P Venugopal. Over the years, the promoters have developed significant experience in export to the African countries. In 2015, Prianka Reddy (daughter of Madhukar Reddy), took over

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

operations as the company's managing director. She holds master's degree from London School of Economics. She handles the company's finance and marketing departments.

Key weaknesses

Moderate scale of operations

The company's scale of operations continue to remain small. The company's total operating income (TOI) declined to ₹145 crore in FY24 compared to ₹167 crore. The company had received an order to supply 100 container of glass bottles each month in August, September and October 2024, resulting which the company reported a TOI of ₹137 crore for 7MFY25 and is likely to achieve a scale of ₹188 crore in FY25. However, with limited growth opportunities, the company's scale is likely to remain at modest level.

Significant reduction in cash and liquid investment

In FY24, the company had invested ₹26.16 crore in purchasing an apartment for its top management and balance was used to fund the increase in receivables, resulting which the cash position reduced to ₹36 crore as on March 31, 2024, from ₹99 crore as on March 31, 2023. Furthermore, The company plans to invest ~23 crore for purchase of another apartment for its top management with an estimated cash outflow of ₹18 crore in FY25 and 5 crore in FY26. This is expected to result reduction in cash and cash equivalents to ₹9 crore as on March 31, 2025.

Deterioration in operating cycle days

The company's operating cycle days increased to 44 days in FY24 from 30 days in FY23 and are expected to remain extended, mainly due to higher credit offered to clients in countries such as Zambia. The company often provides extended credit periods, particularly in local currency depreciation, to retain and secure repeat orders from clients. However, this practice may pressure the company's liquidity profile, as evidenced by the significant increase in receivables from ₹14 crore in FY23 to ₹64 crore in FY24, making it a key rating factor to monitor.

Geographical and political risks

The company's majority sales are from three countries including Zambia, Congo and Malawi, indicating geographical concentration risk. Various factors such as general elections, disease outbreaks, and political tensions, among others in the African countries can have impact on the company's revenues.

Forex risk in the absence of hedging policy

With majority income coming from exports, VIPL is significantly exposed to adverse fluctuations in currency movements. Currently, the company does not have sound hedging policy to mitigate the forex risk hence exposing itself to forex risk.

Liquidity: Adequate

The operating cycle deteriorated from 30 days to 44 days and are expected to remain elongated, mainly considering higher credit offered to its clients in countries such as Zambia. Despite elongation in receivables, the company continues to relay on its own funds with nil utilisation of its bank limits. The company continue to remain debt free with no term debt, unsecured loan or utilisation of its working capital limit in the last 12 months till date. The company maintains adequate cash and bank balance of ₹6.15 crore in current account and ₹31.23 crore in FD as on October 30, 2024. The company has no plan to raise debts for near term.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Wholesale Trading

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial services and supplies	Trading and distributors

VIPL was incorporated in 1987 by Madhukar Reddy and Venugopal. The company was initially engaged in investment activities. However, within two years, the company has changed its business from investments to export of mangoes and other agro commodities. Over the period, the company has diversified in export of industrial raw materials such as glass bottles, packing material, stickers, food-graded flavours, and caramels among others. These products are predominantly exported to African countries such as Zambia, Congo, and Malawi. In FY15, Prianka Reddy, the current managing director, has taken over the company's operations.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	October 30, 2024 (UA)
Total operating income	167.12	145.37	137.10
PBILDT	15.72	10.47	17.13
PAT	13.65	10.76	10.56
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	113.48	81.91	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Acuite (SMERA) has continued the ratings assigned to the bank facilities of VIPL as 'Issuer not-cooperating' category vide press release dated December 28, 2024, on account of non-availability of requisite information from the company.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - ST-Packing Credit in Indian rupee		-	-	-	10.00	CARE A3+

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - ST-Packing Credit in Indian rupee	ST	10.00	CARE A3+	-	1)CARE A2 (05-Feb-24)	1)CARE A2 (08-Mar-23) 2)CARE A2 (01-Apr-22)	-

ST: Short term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-Packing Credit in Indian rupee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

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

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