

Versabyte Data Systems Private Limited (Revised)

September 15, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	10.34 (Reduced from 11.07)	CARE BB+ (RWD)	Placed on Rating Watch with Developing Implications
Short-term bank facilities	8.60	CARE A4+ (RWD)	Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has placed the ratings assigned to the bank facilities of Versabyte Data Systems Pvt. Ltd. (VDSPL) on Rating Watch with Developing Implications, following the announcement of acquisition of a 51% stake in VDSPL by Sanlayan Technologies Pvt. Ltd. Sanlayan, incorporated in September 2023, was established as a strategic electronics company with the objective of developing indigenous technologies. Backed by marquee institutional investors like Ashish Kacholia, Lashit Sanghvi, Jungle Ventures, Gemba Capital, Singularity Ventures, Shastra VC and other investment funds. The overall impact on the company's credit profile is yet to be ascertained, and CareEdge Ratings awaits more clarity from the management. CareEdge Ratings would take an appropriate view on the ratings once exact implications of this event are clear.

The ratings of VDSPL continue to be constrained by its elongated working capital cycle, resulting in working-capital intensive operations, exposure to foreign currency fluctuation risk and volatile raw material prices, as well as its business prospects being highly dependent on the Indian defence sector.

However, these weaknesses are partially offset by the company's long operational track record and experienced promoters, its established product portfolio in customised electrical equipment, and demonstrated technical expertise in a niche segment with limited competition. The company also benefits from relationships with reputed customers, consistent improvement in its scale of operations, and a satisfactory order book position, providing revenue visibility in the medium term.

Rating sensitivities: Factors likely to lead to rating actions
Positive factors

- Improving revenue of more than ₹65 crore with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of 20% on a sustained basis.
- Order book-to-sales of more than 2.5x and total outside liabilities (TOL)/tangible net worth (TNW) of <0.80x.

Negative factors

- Declining scale of operations below ₹30 crore and interest coverage ratio (ICR) <4x.
- Debt-funded capex resulting in overall gearing beyond 1.00x.

Analytical approach: Standalone

Detailed description of key rating drivers:
Key weaknesses
Elongated operating cycle and working capital-intensive operations

The company's revenue share from Q4 generally remain higher as compared to other quarters, which results in company having elongated working capital cycle. The operating cycle deteriorated to 225 days in FY24 from 192 days in FY23. The deterioration was on account of increased debtor's collection period, which also includes higher retention money. The debtor's collection increased to 125 days in FY24 from 86 days in FY23 and the inventory holding period has marginally come down from 110 days in FY23 to 102 days in FY24. The company needs to maintain spares and parts for most of the developed products for 10 years as per the contract agreement with defence sector PSU's. Some key raw materials are to be imported which requires to be ordered in advance which also involves long transit time; hence the company holds stock of such key raw materials. The company's rely on the working capital borrowings is high, as the company needs to pay back to its creditors within 5-10 days, resulting to working

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

capital intensive nature of operations. The working capital limit of Rs. 9.50 crore was utilised at 78.59% for the last 12 months ended December 2024.

Exposure to foreign currency fluctuation risk and volatile raw material pricing

VDSPL does not have a hedging policy and is exposed to foreign currency fluctuation risk for materials it imports from foreign countries. The company imports about 45-50% of raw materials having a long transit time, leading to volatility in product prices and putting pressure on profitability margins.

Key strengths

Announcement regarding acquisition of 51% stake by Sanlayan in VDSPL

Sanlayan, incorporated in September 2023, was established as a strategic electronics company with the objective of developing indigenous technologies. Backed by marquee institutional investors like Ashish Kacholia, Lashit Sanghvi, Jungle Ventures, Gamba Capital, Singularity Ventures, Shastra VC and other investment funds. Sanlayan has raised around ₹224 crore through Series A and seed rounds. The promoter group, comprising executives from marquee IIT/IIMs, has prior experience in defence and acquisitions. Sanlayan had acquired majority of stake in Dexcel Electronics Design Private Limited, a 20-year-old embedded systems firm engaged in critical defence programs. Further, as informed by the management, Sanlayan has acquired 51% stake in VDSPL. With the infusion of growth capital, Sanlayan is targeting development of advanced indigenous defence technologies. Also, ₹25 crore will come as a part of transaction structure which would be re-infused into VDSPL.

CareEdge Ratings will continue to monitor the progress of the transaction, timing of the ₹25 crore capital infusion, and the impact of the new promoter group's strategic initiatives on VDSPL's credit risk profile before taking a final view on the ratings

Improving scale of operations, however, sustainability to be seen in the medium term

The company reported a TOI of Rs. 56 crores (PY: Rs 50 Crore) in FY24 showing a growth of 12%. However, was lower as against projected revenue of Rs.65 crore projected for full year. The short fall was mainly due to delay in inspection by the competent authority. During the current year the company has achieved TOI Rs.56.03 crore up to 10MFY25 and the order worth Rs.15 Crore to be completed by March 31, 2025, and the company is likely to reach revenue of over Rs.70 crore in FY25. As against this VDSPL has reported a TOI of Rs.67 crore and PBIDLT margin of ~40% in FY25, led by improved order execution and better order mix.

The company's total unexecuted order book stood at Rs.164 crore as on January 21, 2025. This apart the company has completed price negotiation meeting for order worth Rs.26.4 crore which is to be executed over a span of 2 years' time. The company likely to get the final order in weeks' time. Thus, providing revenue visibility in the medium term. Currently, the company in collaboration with DRDO is developing a new technology in the Pulse High Voltage Power Supply (HVPS) for ASPJ under Technology Development Fund (TDF) scheme, and Development of CW (Continuous Wave) HVPS for ASPJ under Technology Development Fund (TDF) scheme. VDS had successfully completed two milestones for the above projects up to March 2024 and on Feb 06, 2025 the company has successfully completed its 3rd Mile stone and the final stage is expected by next year. Upon the successful completion of these above projects, the company anticipates, regular flow of orders would be received from this project also. The ability of the company to improve its order book position as envisaged remains critical from credit perspective and a key monitorable

Established operational track record

VDSPL has an established business track record of more than three decades in developing and manufacturing power support products to defence PSUs. The Managing Director, Satyanarayana Pyda Reddy, is an engineering graduate with experience of more than four decades. He and other directors manage design and development, production, and testing. Pyda Rajesh Reddy, Director-Operations, manages production, procurement, and outsourcing. C N Narahari is a graduate and ICWA professional with more than three decades of experience and manages finance and administration functions. VDSPL's long presence and its promoters' vast experience with proven development ability of catering to needs of the defence in sector helps the company bags new projects and repeat orders.

Longstanding experience in development and production of customised electrical equipment for renowned projects

VDSPL has more than 35 years of experience in developmental and production of customised electrical equipment such as multioutput power supply used in unmanned aircrafts, power supply units, battery chargers and invertors for L70 machine guns used by the Army. VDSPL also refurbishes military grade transmitters to Hindustan Aeronautics Limited (HAL; rated 'CARE AAA; Stable/CARE A1+'). The company has also supplied to prestigious projects of the Indian Armed Forces such as the Brahmos missile through low voltage power supply units for navigation.

Established product portfolio and reputed customer base

The company has developed about 120 products over three decades and has gained the trust and confidence of defence PSUs. VDSPL manufactures customised products such as electromagnetic compatibility (EMC) and electromagnetic interference (EMI) filters, power bricks, high and low voltage power supply units, AC/DC power modules, inverters, power converters for electronic tube transmitters, Refurbishment of Transmitters, antenna controllers for airborne and ground-based radars. VSDPL's products are widely used in the Indian defence sector, with the company generating its entire revenue from reputed customers such as

Bharat Electronics Limited, HAL, Defence Research and Development Organisation (DRDO), and other defence establishments. Customer concentration risk is mitigated to an extent due to the long association.

Liquidity: Adequate

Company's liquidity position remains adequate marked by adequate gross cash accruals against low scheduled repayment obligations over medium term. The average working capital utilization remains at 78.59% during the 12 months period ended December 31, 2024. The company had cash and bank balances of Rs 0.02 crore as of March 31, 2024. The company is projected to report a GCA of Rs.8.8 Crore as against this, the company has total TL of Rs.0.84 crore outstanding as on February 06, 2025, with a monthly instalment of Rs. 5 lakhs. The company has no debt funded capex plans in the near term coupled with continuation accretion of profits with deployment of profits in the business without any dividend payout, the capital structure is expected to remain comfortable.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Aerospace & Defense	Aerospace & Defense

VDSPL was incorporated in 1987 by PS Reddy in Bengaluru. The company manufactures high-density, high-efficiency power supplies for defence applications, which are widely used in radars, battle tanks, and guns used in aircrafts, land, and naval systems. VDSPL is an ISO 9001:2005-certified company and focuses on research, design, and development for DRDO and defence PSUs.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	50.43	56.56	53.27
PBILDT	10.53	12.13	9.79
PAT	7.61	12.44	5.76
Overall gearing (times)	0.38	0.28	NA
Interest coverage (times)	7.37	9.37	NA

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

Status of non-cooperation with previous CRA: CRISIL has continued to place the rating of VDSPL under 'Issuer not cooperating' vide its PR dated October 23, 2024, as the company did not provide the requisite information needed for conducting the rating exercise.

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 - LT-Cash Credit		-	-	-	9.50	CARE BB+ (RWD)
Fund-based - LT-Term Loan		-	-	September 2024	0.84	CARE BB+ (RWD)
Non-fund-based - ST-Bank Guarantee		-	-	-	8.60	CARE A4+ (RWD)

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
1	Fund-based - LT-Term Loan	LT	0.84	CARE BB+ (RWD)	1)CARE BB+; Positive (19-Feb-25)	1)CARE BB+; Positive (20-Mar-24)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (06-Feb-23)
2	Fund-based - LT-Cash Credit	LT	9.50	CARE BB+ (RWD)	1)CARE BB+; Positive (19-Feb-25)	1)CARE BB+; Positive (20-Mar-24)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (06-Feb-23)
3	Non-fund-based - ST-Bank Guarantee	ST	8.60	CARE A4+ (RWD)	1)CARE A4+ (19-Feb-25)	1)CARE A4+ (20-Mar-24)	1)CARE A4; ISSUER NOT COOPERATING* (06-Feb-23)
4	Fund-based - LT-Working capital Term Loan	LT	-	-	1)Withdrawn (19-Feb-25)	1)CARE BB+; Positive (20-Mar-24)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (06-Feb-23)
5	Fund-based - LT-Bank Overdraft	LT	-	-	1)Withdrawn (19-Feb-25)	1)CARE BB+; Positive (20-Mar-24)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (06-Feb-23)

LT: Long term; 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 Foreign Currency	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Non-fund-based - ST-Forward Contract	Simple
4	Non-fund-based - ST-Loan Equivalent Risk	Simple
5	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CareEdge 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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