



Press Release
VIRINCHI LIMITED
February 05, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	2.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs.25 Cr. bank facilities of Virinchi Limited. The outlook is '**Stable**'.

Rationale for reaffirmation:

The rating reaffirmation takes into account the improvement in operating income, albeit decline in profitability noted in the 9MFY2025 as compared to 9MFY2024. The group registered a 3 percent growth in revenue during 9MFY2025 to ~Rs.232 Cr. against ~Rs.225 Cr. in the previous year. However, the operating profitability declined to ~32% in 9MFY2025 from ~36% in 9MFY2024. The rating further continues to consider the established track record of operations and moderate financial risk profile of Virinchi group. However, the rating is constrained by intensive nature of working capital operations of the group, presence in a highly competitive industry and susceptibility of its performance to stringent regulatory frame work and reputational risk in the healthcare sector.

About the Company

Hyderabad, Telangana based, Virinchi Limited (VL) is engaged in Information Technology based products and services. The company was incorporated in the year 1990. It was set up by Mr. Vishwanath Kompella, an alumnus of IIT Chennai. VL is engaged in the business of providing IT services to fintech companies. The company's flagship product Q-Fund is used by the alternate finance companies in North America to fund the subprime customers for a short term. The company is listed on Bombay Stock Exchange (BSE).

About the Group

Hyderabad based Virinchi Limited (VL) was incorporated in 1990 by Mr. Vishwanath Kompella, engaged in the business of providing IT based products and services to fintech companies. In the year 2016, Virinchi Health Care Private Limited was incorporated with 350 beds capacity at Hyderabad which is 100% subsidiary of Virinchi Limited. The subsidiaries of Virinchi Limited includes Virinchi Health Care Private Limited, Q fund Technologies Private Limited, KSoft systems Inc, Tensor Fields Consultancy Services Private Limited, Virinchi Combinatorics & Systems Biology Private Limited, Virinchi Learning Private Limited, Virinchi Media & Entertainment Private Limited, Virinchi Infra & Realty Private Limited, Tyohar Foods Private Limited, Asclepius Consulting & Technologies Private Limited.

Unsupported Rating
Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profile of Virinchi Limited (VL) and its subsidiary - Virinchi Health Care Private Limited (VHPL); together referred as Virinchi Group (VG) to arrive at the rating. The consolidation is on account of common management, significant financial linkages and corporate guarantee extended by VL.

Key Rating Drivers

Strengths

Experienced management and established track record of operations:

Hyderabad based Virinchi Limited (VL) was incorporated in 1990 by Mr. Vishwanath Kompella, engaged in the business of providing IT based products and services to fintech companies. The company's flagship product Q-Fund is used by the alternate finance companies in North America to fund the subprime customers for a short term. In the year 2016, Virinchi Health care Private Limited was incorporated with 350 beds capacity at Hyderabad and current capacity at 600 beds, which is 100% subsidiary of Virinchi Limited. Virinchi Group (VG) is promoted by Mr. Vishwanath Kompella who has more than three decades of experience in IT and Healthcare Industry. The group has an established position in the IT industry of about three decades. VL's revenues are 100 percent export oriented catering to North America. Acuité believes that VG shall continue to benefit from its long-standing presence of more than three decades in the IT and Health care industry and its established position which is likely to result in steady stream of revenues for the company over the medium term.

Moderate financial risk profile:

Financial risk profile of the group is marked by healthy net worth, moderate gearing and debt protection metrics. The group's net worth stood at Rs. 255.68 Cr. as on March 31, 2024 as compared to Rs. 234.85 Cr. as on March 31, 2023. Improvement in net worth is on account of ESOPs issued during the year and accretion for profits to reserves. Virinchi group's capital structure marked by moderately high gearing and total outside liabilities to total net worth (TOL/TNW) of 1.29 times and 1.55 times respectively as on March 31, 2024 as against 1.35 times and 1.62 times as on March 31, 2023. The coverage indicators were moderate with DSCR of 1.50 times as on March 31, 2024 as against 1.64 times as on March 31, 2023. Interest coverage stood at 2.63 times as on March 31, 2024 as against 3.27 times as on March 31, 2023. Debt to EBITDA is continued to remain moderate at 2.89 times as of March 31, 2024 compared to 2.87 times during previous year. Acuité believes that the financial risk profile of the company will remain moderate for the medium term as well on account of healthy net worth position.

Weaknesses

Continuous decline in operating revenue albeit marginal recovery in 9MFY2025:

The Virinchi group's revenue declined by 4 percent to Rs.300.03 Cr. in FY2024, compared to Rs.311.94 Cr. in FY2023 and Rs.364.01 Cr. in FY2022. This decline is primarily due to lower revenue reported in healthcare segment, which saw a 9 percent decrease in FY2024 to approximately Rs.118 Cr, down from Rs.130 Cr. in FY2023. The decline in revenue is attributed to lower IP flow post Covid period followed by departure of few specialized doctors during last 2 years. However, the group registered a 3 percent revenue growth in 9MFY2025, reaching Rs.232.18 Cr. compared to 225.35 Cr. in 9MFY2024. Despite the overall growth, the health care segment reported a 10 percent decline in revenue during the same period due to lower in patient counts. Acuité expects the operating revenue of the group to improve in the medium term on account of the expansion plans in healthcare segment.

Intensive working capital operations:

The working capital operations of the group are intensive which is evident from the Gross Current Assets (GCA) of 224 days in FY2024. The elongated GCA days are primarily on account of elongated debtor days at 90 days. Receivable period in healthcare segment is generally stretched as the recovery from general insurance, ESI and government's Arogya Shree schemes takes 3-4 months to recover. However, debtors in I.T business will be recovered in 30- 45 days. Acuité believes that working capital operations of the group will remain intensive over the medium term as the nature of its operations.

Highly competitive industry and stringent regulatory framework, reputational intensive healthcare sector.

IT industry is characterized by intense competition from large players enjoying benefits and higher bargaining power. The company also remains susceptible to industry-specific risks, such as exchange-rate fluctuations. However, the entrepreneurial experience is supporting its operating margins. Further, despite the increasing trend

of privatization of healthcare sector in India, the group continues to operate under stringent regulatory control. Accordingly, regulatory challenges continue to pose a significant risk to private healthcare institutions, as they are highly susceptible to changes in regulatory framework. Healthcare is a highly sensitive sector, where any mishandling of a case or negligence on the part of any doctor and/or staff of the unit can lead to distrust among the masses. Thus, all the healthcare providers need to monitor each case diligently and maintain standard of services in order to avoid the occurrence of any unforeseen incident. They also need to maintain high vigilance to avoid any malpractice at any pocket.

Rating Sensitivities

- Significant improvement in scale of operations while maintaining profitability margins.
- Improvement in the financial risk profile.
- Any decline in the operating income and profitability.
- Any large debt-funded capital expenditure, resulting in deterioration of financial risk profile.
- Any further elongation in working capital cycle leading to deterioration in financial risk profile and liquidity.

Liquidity position: Adequate

Virinchi group's liquidity position is adequate which is evident from sufficient net cash accruals (NCA) to meet the debt repayment obligations. The group has reported Net Cash Accruals (NCA's) of Rs.66.76 Cr. for FY2024 against Rs.30.17 Cr. debt repayment obligations. The cash accruals are estimated to remain sufficient against the debt repayment obligations over the medium term. The current ratio of the group stood at 1.67 times as on March 31, 2024 compared to 1.73 times of March 31, 2023. Acuite believes that liquidity position of the group will remain adequate in the medium term on account of steady accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	300.03	311.94
PAT	Rs. Cr.	13.47	12.72
PAT Margin	(%)	4.49	4.08
Total Debt/Tangible Net Worth	Times	1.29	1.35
PBDIT/Interest	Times	2.63	3.27

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Nov 2024	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	PC/PCFC	Long Term	18.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.44	ACUITE BB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.56	ACUITE BB+ Stable (Reaffirmed)
31 Jul 2024	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	PC/PCFC	Long Term	18.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.44	ACUITE BB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.56	ACUITE BB+ Stable (Reaffirmed)
18 Mar 2024	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	PC/PCFC	Long Term	18.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.44	ACUITE BB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.56	ACUITE BB+ Stable (Reaffirmed)
19 Dec 2022	Bank Guarantee/Letter of Guarantee	Short Term	4.48	ACUITE A4+ (Downgraded from ACUITE A3)
	PC/PCFC	Long Term	18.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	0.08	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	2.44	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE A4+ Reaffirmed
Canara Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.00	Simple	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.56	Simple	ACUITE BB+ Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	30 Jan 2018	Not avl. / Not appl.	31 Mar 2022	2.44	Simple	ACUITE BB+ Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company name
1	Virinchi Limited
2	Virinchi Health Care Private Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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