MP BIRLA GROUP

Vindhya Telelinks Limited

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PAN NO.AAACV7757J * CIN: L31300MP1983PLC002134
GSTIN: 23AAACV7757J1Z00

VTL/CS/24-25/Reg-30

8 NOV 2024

BSE Limited,
BSE's Corporate Relationship Department,
1st Floor, New Trading Ring,
Rotunda Building,
P.J. Towers, Dalal Street, Fort,
MUMBAI-400 001

National Stock Exchange India Ltd.
Listing Department,
"Exchange Plaza', C-1, Block G,
Bandra Kurla Complex,
Bandra (E),
MUMBAI -400 051

Company's Scrip Code: 517015

Company's Scrip Code: VINDHYATEL

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Credit Ratings

Pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, we wish to inform you that CARE Ratings Ltd. ("Credit Rating Agency") has reaffirmed the rating at "CARE A+; Stable" in respect of Long-term bank facilities for Rs. 1,157.40 Crores (Enhanced from Rs. 1,125.52 Crores) and "CARE A1+" in respect of Short-term bank facilities for Rs. 3,200.00 Crores (Enhanced from Rs. 2,518.75 Crores).

Further, the rating of "CARE A1+" has also been assigned in respect of other Short-term bank facilities for Rs. 26.75 Crores.

Copy of Press Release dated 7th November, 2024 issued by the Credit Rating Agency is attached herewith. Kindly take the same on your records.

Thanking you,

Yours faithfully,
For Vindhya Telelinks Limited

DINESH KAPOOR
Digitally signed by DINESH KAPOOR
Date: 2024.11.08 12:56:10 +05'30'

(Dinesh Kapoor)
Company Secretary & Compliance Officer

Encl: As above.

Vindhya Telelinks Limited

November 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,157.40 (Enhanced from 1,125.52)	CARE A+; Stable	Reaffirmed
Short-term bank facilities	26.75	CARE A1+	Assigned
Short-term bank facilities	3,200.00 (Enhanced from 2,518.75)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Vindhya Telelinks Limited (VTL) derives strength from the well-established and resourceful MP Birla Group with long track record of demonstrated financial support to the company. Ratings also factor in the healthy order book position of ₹7,124.51 crore as on September 30, 2024 providing adequate revenue visibility equivalent to 1.74x of total income in FY24 (refers to April 01 till March 31) across diversified sectors, including telecom, energy, and water/sanitation among others. Ratings also take cognisance of the company's ability to report healthy revenue growth of 41% to ₹4,088.93 crore in FY24 on the back of healthy execution of engineering, procurement, and construction (EPC) projects which mainly includes State Water and Sanitation Mission Project contributing revenue of close to ₹2,348 crore in 2024 despite the weak demand scenario in optical fibre cable (OFC) segment and change in product mix through increasing proportion of copper cables. VTL's overall financial risk profile continues to remain comfortable marked with comfortable capital structure and debt protection metrics in absence of large debt-funded capex plans and moderate debt repayment obligations. Ratings reaffirmation also factors in the continuous improvement in VTL's operating cycle over the years which is likely to sustain.

However, ratings are tempered by moderation in its operating profitability due to weak demand scenario in OFC and increasing proportion of the income from EPC division and copper cables where operating margins are volatile and lower than OFC segment in the past. The operating profitability in FY25 is also likely to remain moderate.
CARE Ratings Limited (CARE Ratings) expects improvement in VTL's operational performance in the medium term which will be supported by BharatNet Phase III from FY26 and onwards. The BharatNet tenders' allocation and recovery in demand and optical fibre cables prices shall remain a key monitorable going forward and significant delay in the same may adversely impact VTL's credit profile and its group entities operating in cable industry.

The rating strengths further continues to be constrained by working capital intensive operations of the company due to the elongated collection cycle, which however improved sequentially since past two years and the large inventory holdings in the EPC segment. The company also remained exposed to the inherent risk associated with large and tender-based orders, susceptibility to volatile raw material prices and the prevalent competition in the EPC and cables business.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors-

- Significant improvement in operating performance including profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of over 12% on a sustained basis and maintenance of scale of operations.
- Significant and sustainable improvement in operating cycle to less than 120 days.

Negative factors

- Significant decline in PBILDT margins leading to total debt (TD)/PBILDT above 3.5x on a sustained basis beyond FY25 end.
- Delay in securing new orders, leading to significant decline in the orderbook position and revenue visibility on a sustained basis.

Analytical approach: Consolidated.

CARE Ratings has revised the analytical approach from standalone to consolidated considering strong operational, management and financial linkages between the group companies. List of entities consolidated is given in Annexure-6.

Outlook: Stable

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

The stable outlook reflects CARE Ratings' expectation that VTL will sustain its financial risk profile in near to medium in absence of major debt-funded capex plans and due to healthy revenue generation from EPC projects.

Detailed description of key rating drivers:

Key strengths

Resourceful and experienced promoters with demonstrated financial support to company

VTL is an M. P. Birla group company, one of the established business houses in India having business interests such as cement, jute, carbide, power cables, optical fibre cables, guar gums, and power capacitors, among others. These businesses are operated through companies such as Birla Corporation Limited (rated: 'CARE AA; Stable/ CARE A1+'), Birla Cable Limited (rated: 'CARE A+(CE); Stable/ CARE A1+(CE)', Hindustan Gums & Chemicals Limited (rated: 'CARE A+; Stable/ CARE A1+'), and Universal Cables Ltd (UCL; rated: 'CARE A; Stable/ CARE A1'). The company's day to-day operations are managed by a team of experienced and qualified personnel headed by Y.S. Lodha, Managing Director and CEO, who has over three decades of experience in the cable industry. Moreover, the group has supported the company through the infusion of funds in the form of inter-corporate deposits (ICDs) and unsecured loans (USL), which stood at ₹250 crore as on March 31, 2024 (PY: ₹230 crore). Going forward, CARE Ratings believes that the company will continue to enjoy the group's support and financial flexibility.

Wide product portfolio catering to diverse industries

The company primarily has two operating segments, manufacturing cables and the EPC division. Most of the revenue of over 60% has been contributed by EPC division in the last four fiscal years. In FY24, EPC division contributed 85% to total revenue and rest 15% by cable division. VTL's cable division has a wide range of products, including OFC, copper cables, specialty cables, solar photovoltaic [PV] cables, and also telecom fibre accessories. The company has diversified in railway signalling and quad cables, which are used in the electrification of track routes by the railways.

It also has a presence in the EPC and turnkey solutions segments for infrastructure projects. A major part of the EPC order book comprises orders related to the energy utilities segment, catering to projects primarily funded by the Central Government of India and to the telecom segment. In the telecom segment, the company has been actively involved in government projects such as Bharat Net. Going forward, the tender allotment of Bharat Net Phase-3 project is expected to be the major revenue driver for the company and a key rating monitorable.

Healthy order book position providing revenue visibility for the medium term

As on September 30, 2024, VTL's outstanding order book position stood at a healthy level of ₹7,124.51 crore (~1.74x of the total operating income [TOI] achieved in FY24) comprising EPC orders and cable division orders against ₹8,265 crore, as on June 30, 2023, which was 2.85x of FY23 income. The current order book is to be executed over next 2-3 years. The company's order book had been previously concentrated heavily in water and irrigation projects due to single-largest order of water sanitation projects under the State Water Sanitation Mission (SWSM), Uttar Pradesh, which entails providing functional household tap connection (FHTC) in all allocated households in the four districts of the state. SWSM Project has been the major contributor to revenue in the last two fiscal years. In the current order book, the outstanding work done for the SWSM project stood at ₹1,615.51 crore to be executed by June 2025. The company has been recently awarded a turnkey power project in Tamil Nadu under energy sector amounting to ₹1,833.80 crore, which has diversified the order book to energy sector whose contribution increased to 48% in order book outstanding as on September 30, 2024, from 32% as on March 31, 2024. In addition, the company has also tendered for Bharat Net Phase-3 project, which is expected to be allocated by the fag-end of the current fiscal year. CARE Ratings observes, going forward, timely execution of the current order book and the allotment of Bharat Net tender is a key rating driver for the growth of the company and a key rating monitorable.

Comfortable operational and financial risk profile

In FY24, VTL achieved TOI of ₹4,088.93 crore increased from ₹2,901.50 crore, depicting a y-o-y growth of 41%. The growth was driven by EPC business segment which grew by 60.41% y-o-y attributable to better execution of the largest order SWSM, UP. In FY24, the said sanitation project accounted for ₹2,348.80 crore of revenue in FY24, whereas cable segment registered a decline of ~17.86% in revenue and 69% in PAT due to lower demand of optical fibre cables. The profitability though experienced moderation marked by PBILDT margin of 7.27% in FY24 against 9.72% recorded in FY23. The fall in profitability is largely due to higher proportion of revenue from the subcontracted order at a fixed margin in EPC division and lower revenue from OFC segment. The contribution for optical fibre cable declined from 60% in FY23 to 25% in FY24, which is also a high-margin product.

The company reported improvement in capital structure characterised by overall gearing ratio to 0.23x as on March 31, 2024 (PY: 0.26x) considering lower utilisation of working capital borrowings as the advances from customer supported the EPC division. The adjusted gearing (considering the corporate guarantee extended for bank facilities availed by BCL) also improved to 0.31x (PY: 0. 33x). Debt coverage indicators, PBILDT interest coverage and total debt/ PBILDT ratio, stood stable to 3.38x and 2.89x in FY24 on the back of moderation in profitability.

In H1FY25, VTL reported revenue of ₹1,800.20 crore increased from ₹1,725.83 crore in H1FY24 considering better execution of SWSM project. However, PBILDT margin reduced to 6.65% in H1FY25 from 8.36% in H1FY24 due to lower margin in new project and structured cables. CARE Ratings observes, going forward, H2FY25 is expected to be better than H1 as H1FY25 also has an impact of excess and stretched monsoon, consequently leading to lower execution in the EPC projects.

Key weaknesses

Large working capital requirements, despite lower reliance on working capital borrowings

The company's operating cycle improved to 111 days in FY24 from 142 days in FY23 mainly due to better collection period. The average collection period improved to 88 days in FY24 from 108 days in FY23 considering better realisation terms for the SWSM project. The average credit period for debtors in the cable segment is ~120 days and ~150-160 days for the debtors in the EPC segment. Though the absolute inventory levels increased slightly during the year, the inventory holding period declined from 119 days in FY23 to 103 days in FY24 because of the averaging impact. The average working capital utilisation for the 12 months ended September 2024 stood at a comfortable level of ~46.07%. The company has high reliance on the non-fund-based working capital limits for the procurement of materials and bank guarantee requirements in the EPC segment and non-fund-based utilisation limits stood at ~52.67% for the past 12-month period ended September 2024.

Susceptibility to raw material price volatility

The main raw materials required by the company in the cable segments are copper, aluminium, compounds, and optical fibre. The company procures copper mainly from Hindalco and partially imports it. These purchases are mostly on credit basis or backed by letters of credit (LCs). The other important raw material is optical fibre, which is procured from a group company, Birla Furukawa Fibre Optics Private Limited (rated: 'CARE A-; Stable/ CARE A2+'). Also, for the EPC orders, the company mostly has price escalation clauses for large and longer tenure orders in most energy segment orders. However, CARE Ratings notes that there is no price variation clause in the SWSM order. Hence, the company remains susceptible to volatility in the prices of other raw materials that are procured from external sources.

Inherent risk associated with the execution of large orders in the EPC segment

VTL derives its major revenue from the execution of orders in the EPC segment (85% in FY24 compared to 75% in FY23). Even the latest order book (as on September 30, 2024) had the EPC segment contributing ~99% of the total order book position. The company is executing a large water sanitation project in Uttar Pradesh, wherein procedural delays or weather-related issues can impact the operational performance of the company. Around 48% of orders is derived from energy segment where counterparties are majorly central utilities companies, which mitigate the credit risk to an extent. Around 7% proportion of the total order book position comprises orders from the telecom segment wherein the counterparties are largely private telcos. Any delay or deferral of operational and capital expenditure of the customers may impact the company's operational performance. The company also has large EPC orders from state-run company, Indian Telephone Industries Limited. Any financial stress in these companies can cause delays in recovery of the payment by VTL.

Prevalent slowdown in OFC and competition in cable and EPC business

The telecommunications infrastructure landscape is undergoing significant changes, with fibre optic cables emerging as the backbone of fifth generation (5G) networks, making them a critical component of national security. The fibre optic cable market faces several challenges due to this overcapacity, leading to a decline in prices and market instability. The industry faced several acute challenges, including elevated inventory levels, lower investments by operators due to high interest rates and an uncertain economic environment and geopolitical disturbances. The industry witnessed huge drop in bare optical fibre price levels by almost 50% against the price levels in the beginning of 2023 due to the decline in consumption.

However, as discussed with the management of VTL, the demand for OFC is expected to rebound from second half of the current fiscal in both India and key global markets, driven by high-speed internet penetration, the expansion of 5G networks, the growth of data centres, Bharat Net Phase III, demand for Fiber-to-the-Home (FTTH), and global opportunities propelled by government policies.

The cable business in recent times is experiencing stiff competition in the domestic market considering higher installed capacity. The demand in the cable business mainly depends on the operational and capital expenditure from the telecom and power distribution companies. Any delay or deferral of such expenditure will impact the revenue visibility of companies catering to this business. Also, the EPC business continues to face competition due to the presence of many players. The order inflow depends on the operating expenses of state discoms, telecom companies, and other government institutions.

Liquidity: Adequate

The adequate liquidity is marked by projected cash accruals of ~₹240 crore in FY25 against scheduled debt repayments of ~₹67.63 crore. The company has already repaid ₹56.18 crore in H1FY25 including prepayment of ~₹25 crore. The company has

free cash and bank balance of ₹24.76 crore as on September 30, 2024. Moreover, the company has group support in the form of unsecured loans infused in the past, which is expected to continue, if required.
The company's operations are working capital intensive, though the operating cycle has been improving and stood at 111 days in FY24 from 142 days in FY23 owing to improvement in collection. The working capital requirements are met through internal accruals and bank borrowings. The average utilisation of working capital limits stood at a comfortable level of ~46.07% for trailing months period ended September 2024.

Environment, social, and governance (ESG) risks

Environment: In addition to contribution from ongoing energy conservation measures, the company is harnessing and utilising renewable energy to reduce its carbon footprint and environmental impact due to use of conventional electricity. The rooftop solar photo-voltaic (Solar PV) plant installed by the Company with a capacity of 2 MW as green/renewable energy source was working satisfactorily at rated capacity during 2023-24.
The company has recently entered a power purchase agreement (PPA) with a power producer for an additional dedicated power supply from 1.5-MW Wind-Solar Hybrid power plant by way of long-term open access (LTOA) / medium term open access (MTOA) under intra-state group captive scheme in lieu of existing solar PPA under LTOA from a solar power producer. This strategic decision underscores the company's proactive approach towards expanding renewable energy adoption.
Social: The company is promoting Health Care including preventive health care through its CSR activities. VTL is also promoting education, including education relating to culture, special education, employment enhancing vocational skills, and livelihood enhancement projects.
Governance: The Board of Directors of the company has an optimum combination of Executive and Non-Executive Directors which comprises of Ten (10) Directors, including two independent woman directors as on March 31, 2024.
The Board, its Committees and Directors evaluation provided a formal process of communication in raising issues that might not otherwise be vetted by the Board, with the underlying objectives to develop an action plan to enhance the Board performance, inter-alia, by ensuring compliance with the requirements of the Companies Act, 2013 and code of corporate governance as enshrined in the Listing Regulations.

Applicable criteria

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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

VTL is engaged in manufacturing telecom cables and EPC services to telecom, power, gas distribution pipelines, water, and sewage projects. The company's manufacturing plant is at Rewa, Madhya Pradesh. The company currently has an optical fibre cable manufacturing capacity of 60 lakh fibre km per annum. The company caters to a reputed client base such as Bharat Sanchar Nigam Limited, Mahanagar Telephone Nigam Limited, Indian Railways, Defence (Indian Army), NTPC Limited, Steel Authority of India Limited, Bharti Airtel Ltd, and Reliance Jio Infocom Ltd, among others.

Consolidated Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	2,901.50	4,088.93	1,800.20
PBILDT	282.04	297.16	119.70
PAT	185.31	282.69	53.81
Overall gearing (times)	0.26	0.23	0.25
Interest coverage (times)	3.86	3.38	2.80

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash credit		-	-	-	985.00	CARE A+; Stable
Fund-based - LT-Term loan		-	-	June 2027	172.40	CARE A+; Stable
Non-fund-based - ST-BG/LC		-	-	-	3200.00	CARE A1+
Non-fund-based - ST-Loan equivalent risk		-	-	-	26.75	CARE A1+

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	Non-fund-based - ST-BG/LC	ST	3200.00	CARE A1+	-	1)CARE A1+ (07-Sep-23)	1)CARE A1+ (03-Jan-23)	1)CARE A1+ (03-Dec-21)
2	Fund-based - LT-Cash credit	LT	985.00	CARE A+; Stable	-	1)CARE A+; Stable (07-Sep-23)	1)CARE A+; Stable (03-Jan-23)	1)CARE A+; Stable (03-Dec-21)
3	Fund-based - LT-Term loan	LT	172.40	CARE A+; Stable	-	1)CARE A+; Stable (07-Sep-23)	1)CARE A+; Stable (03-Jan-23)	1)CARE A+; Stable (03-Dec-21)
4	Debentures-Non-convertible debentures	LT	-	-	-	-	1)Withdrawn (03-Jan-23)	1)CARE A+; Stable (03-Dec-21)

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
5	Non-fund-based - ST-Loan equivalent risk	ST	26.75	CARE A1+				

LT: Long term; ST: Short term; LT/ST: Long term/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 - LT-Cash credit	Simple
2	Fund-based - LT-Term loan	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Non-fund-based - ST-Loan equivalent risk	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	August Agents Limited (AAL)	Full	Strong financial linkages with VTL
2	Insilco Agents Limited (IAL)	Full	
3	Laneseda Agents Limited (LAL)	Full	
4	Birla Visabeira Private Limited (BVPL)	Proportionate	
5	Universal Cables Limited (UCL)	Proportionate	
6	Birla Corporation Limited (BCL)	Proportionate	
7	Punjab Produce Holdings Limited (PPHL)	Proportionate	

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.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information, please visit www.careedge.in