

October 3, 2025

Virtuoso Optoelectronics Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based Facilities – Cash Credit	75.00	69.27	[ICRA]BBB (Stable); reaffirmed
Long-term – Fund-based Facilities – Term Loan	75.00	105.73	[ICRA]BBB (Stable); reaffirmed and assigned for the enhanced amount
Total	150.00	175.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings of Virtuoso Optoelectronics Limited (VOL) favourably factors in its experienced management team with requisite professional set-up, which coupled with a reputed client base has been resulting in repeat business. In addition, over the years, VOL has backward integrated into manufacturing key AC components, which continues to support its profit margins.

In FY2025, VOL reported a strong growth in revenues (up 31% on a YoY basis), primarily driven by a healthy demand in the air conditioning (AC) segment, which accounts for around 75% of its revenues. ICRA notes that VOL has ventured into water dispensers, deep freezers, toy components over the last two years and is also adding semi-automatic washing machines and compressors used in refrigeration to its product portfolio in FY2026 to diversify its business profile. Notwithstanding the healthy revenue growth in FY2025, VOL's operating profit margin (OPM) moderated to 8.0% in FY2025 from 9.7% in FY2024 due to its product mix. This coupled with elevated debt level following regular capital expenditure (capex) towards capacity expansion and working capital investments to support revenues, led to moderation in debt coverage indicators, besides resulting in consistent negative free cash flows.

VOL is in the midst of incurring capex of Rs. 140-150 crore towards capacity enhancement and new products for FY2026 and plans to incur another Rs. 150 crore in FY2027 towards capacity enhancement. ICRA, however, notes that VOL has announced Rs. 140 crore of equity infusion via share warrants, which have been subscribed by Malabar India Fund Limited. Of this, Rs. 85.0 crore is expected to be infused by March 2026 and the balance by FY2027. The same will be used for supporting the capex plans and is expected to keep the borrowing levels range bound. Coupled with ramp-up in capacities, this will lead to improvement in the debt coverage indicators over the medium term. This remains a key rating monitorable. ICRA also notes that the company has announced that the company has signed a non-binding Memorandum of Understanding (MoU) with the Government of Maharashtra to invest Rs. 800 crore in Nashik for electronics and motor components. Of the total Rs. 800 crore, the company is expected to incur Rs. 170-200 crore for capacity expansion by FY2026. ICRA understands that future capex will be for backward integration and will be largely contingent on further equity raise. The quantum of capex incurred, its funding pattern as well as the ability of the company to efficiently manage working capital management to keep the liquidity requirement at manageable level, will remain key rating sensitivities on an ongoing basis.

The rating also remains constrained by VOL's exposure to the inherent seasonality in the refrigeration and air conditioning (RAC) business, resulting in volatility in revenues and profitability. Given the seasonality in the RAC industry, the company requires sustained working capital loans for its operations to manufacture and distribute its products. It also needs to continually invest in building capacities and developing new products to meet its customer demands and sustain its competitive advantage. Besides, VOL, like other electronics manufacturers, has dependence on imported raw

materials/components and is susceptible to any significant supply chain disruption. The rating also considers the company's high product and customer concentration, with a single customer/product accounting for more than 75% of its total revenues in FY2025. However, the product and customer concentration are expected to reduce with the company's initiatives towards manufacturing new products and addition of customers.

The Stable outlook on the rating reflects ICRA's expectation that VOL's credit profile is expected to gradually improve over the medium term, supported by equity infusion and ramp-up in capacities, which should limit dependence on external debt. VOL will continue to benefit from its established relationships with its customers and healthy long-term demand of the room AC industry, and its product diversification initiatives.

Key rating drivers and their description

Credit strengths

Established track record in EMS business and strong management team – VOL has nearly 10 years of experience in the electronic manufacturing services (EMS) business. The experienced management team with requisite professional set-up is led by Mr. Sukrit Bharti, the Managing Director of the company. Over the past few years, the company has also started manufacturing indoor units and outdoor units of air conditioners. The company also started manufacturing water dispensers in FY2024, deep freezers in FY2025 and plans to start semi-automatic washing machines and reciprocating compressors in FY2026.

Robust growth in scale of operations, coupled with a reputed client base – The company's revenues increased by 31% in FY2025 on a YoY basis to Rs. 697 crore owing to healthy sales from the RAC segment. Further, the company is expected to witness a healthy revenue growth in the near-to-medium term, driven by increased sales from the newly introduced product lines such as water dispensers and deep freezers, as well as upcoming offerings like semi-automatic washing machines and reciprocating compressors, along with a steady rise in sales from the AC segment. Over the years, VOL has been able to maintain a healthy relationship with its reputed client base, resulting in repeat business besides addition of new customers in various segments. Further, VOL received approvals under the production linked incentive (PLI) scheme announced for the white goods (air conditioners and LEDs), which is likely to support its growth prospects in the near-to-medium term.

Favourable outlook for the Indian AC industry supports long-term growth prospects – Increasing urbanisation, climate change and improving standards of living are expected to provide a huge opportunity for AC original equipment manufacturers (OEMs) in the domestic market. In addition, favourable regulatory developments in the recent past, like the production linked incentive (PLI) scheme for the AC component sector, provide strong growth impetus for the industry over the medium-to-long term.

Credit challenges

Moderate coverage indicators – In FY2025, VOL's coverage indicators weakened, as indicated by total debt vis-a-vis the operating profit of 5.2 times (4.3 times as on March 31, 2024) and an interest coverage of 2.2 times (2.6 times in FY2024) as on March 31, 2025, primarily due to elevated debt level stemming from the ongoing capital expenditure, investments towards working capital and modest profit margins, despite strong revenue growth. However, with planned equity infusion and capacity expansion, these metrics are expected to improve over the medium term as returns from new product lines and increased operational scale accrue. VOL is undertaking capital expenditure of Rs. 140-150 crore in FY2026 and an additional Rs. 150 crore in FY2027 for capacity expansion and new products. An equity infusion of Rs. 140 crore by Malabar India Fund Limited will help support these plans and keep borrowings under check.

Working capital intensive nature of business – Given the competition in the AC industry and its inherent seasonality, the company requires large working capital to cater to the customer demands in a timely manner. The company experiences extended receivable periods in the RAC segment and accumulates higher inventory at fiscal year-end due to the seasonal nature of the RAC business, which in turn lengthens its working capital cycle. The ratio of the net working capital vis-à-vis the

operating income remained high at 35% in FY2025 (albeit improvement from previous years). Nevertheless, the overall working capital intensity is anticipated to improve, supported by shorter working capital cycles associated with newly introduced product lines compared to the RAC segment. Besides, the company's working capital needs are expected to benefit from the ongoing reduction in reliance on imports, a trend that has continued over recent years and is expected to decline further.

Exposed to high product and customer concentration risks – The company derived around 75% of its top line from a single product segment, RAC, and a single customer in FY2025, which exposes the company to high product and customer concentration risks. Additionally, demand of ACs is seasonal in nature (January to June) and is susceptible to changes in weather conditions. Nevertheless, this concentration has declined from over 80% in FY2024. Moreover, the company plans to further diversify its product and customer profiles over the medium term, leading to further reduction in customer concentration, though the extent of dependence on few customers will remain monitorable.

Environmental and social risks

Environmental considerations – Air conditioner manufacturers remain exposed to tightening Government regulations, because of the transition towards a low carbon economy and a consequent push towards energy efficient products. This may require higher investments towards meeting the evolving and tighter regulatory standards.

Social considerations – Retaining human capital and maintaining healthy relationships with employees and suppliers remain essential for disruption-free operations of the entity. The social risk pertaining to demographics and consumer trends remains generally low, given the increasing demand for air conditioners.

Liquidity position: Adequate

The overall liquidity position remains adequate with moderate average utilisation of fund-based limits of 58% of the total sanctioned limits for the last 12 months ending in August 2025. The company's fund flow from operations are expected to improve going forward. Against this, the company has annual capex plans of Rs. 140-150 crore in FY2026 and FY2027 and repayment obligation of around Rs. 23.5 crore in FY2026 and Rs. 25.3 crore in FY2027. Further, the liquidity is supported by fresh equity infusion of Rs. 60.3 crore in FY2025 and further plans of equity infusion of Rs. 140.0 crore in FY2026 (expected to be received in tranches in FY2026 and FY2027).

Rating sensitivities

Positive factors – ICRA could upgrade VOL's rating if it demonstrates a significant increase in its scale of operations and improve its profitability along with diversification of its product and customer profiles, leading to healthy cash accruals, comfortable credit metrics and liquidity profile.

Negative factors – Pressure on VOL's rating could arise if there is a significant moderation in revenue and profitability, a sustained increase in the working capital intensity, any large debt-funded capex or a decline in profitability, resulting in material weakening of the company's liquidity and credit metrics. In addition, any loss of business from a key client, or a significant slowdown in its key product segments that materially affects its financial performance, would also be a negative trigger. Debt service coverage ratio (DSCR) of less than 1.4 times on a sustained basis may also result in a negative rating action.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	NA
Consolidation/Standalone	Consolidated

About the company

The company was incorporated by Mr. Sukrit and Vishrut Bharati on September 11, 2015 as Virtuoso Optoelectronics Private Limited in Nashik, Maharashtra. Subsequently, it was converted into a public limited company in March 2021 and its name was changed to Virtuoso Optoelectronics Limited. The company started its operation with EMS manufacturing. In FY2021, it started manufacturing indoor and outdoor units for ACs. VOL serves under both original equipment manufacturer (OEM) and original design manufacturer (ODM) business models. Under the OEM model, the company manufactures and supplies indoor and outdoor units of AC based on designs developed by its customers. These customers further distribute such products under their own brands. Under the ODM model, in addition to manufacturing, it conceptualises and designs products, which are then marketed to VOL's clients under their brand. Under the ODM model, the products include electronic items and services and lighting products. The company also ventured into manufacturing of water dispensers from FY2024 and deep freezers from FY2025. VOL further plans to venture into semi-automatic washing machines and reciprocating compressors in FY2026.

Key financial indicators (audited)

	FY2024	FY2025	Q1 FY2026
Operating income	531.1	697.3	203.2
PAT	10.1	14.1	6.4
OPBDIT/OI	9.7%	8.0%	9.9%
PAT/OI	1.9%	2.0%	3.2%
Total outside liabilities/Tangible net worth (times)	1.6	1.6	-
Total debt/OPBDIT (times)	4.3	5.2	-
Interest coverage (times)	2.6	2.2	2.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current rating (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Oct 3, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based Facilities – Cash Credit	Long term	69.27	[ICRA]BBB (Stable)	10-Jul-2024	[ICRA]BBB (Stable)	18-Apr-2023	[ICRA]BB+ (Stable)	-	-
Fund-based Facilities – Term Loan	Long term	105.73	[ICRA]BBB (Stable)	10-Jul-2024	[ICRA]BBB (Stable)	18-Apr-2023	[ICRA]BB+ (Stable)	-	-
Unallocated	Long term	-	-	-	-	18-Apr-2023	[ICRA]BB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based Facilities – Cash Credit	Simple

Long-term – Fund-based Facilities – Term Loan

Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund-based Facilities – Cash Credit	NA	NA	NA	69.27	[ICRA]BBB (Stable)
NA	Long-term – Fund-based Facilities – Term Loan	FY2018	NA	FY2030	105.73	[ICRA]BBB (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis*

Company Name	Ownership	Consolidation Approach
YLP Solutions Private Limited	51.00%	Full Consolidation
Virtuoso Polymers Private Limited	100%	Full Consolidation

Source: Company, *As on March 31, 2025

ANALYST CONTACTS

Jitin Makkar
+91 22 6169 3300
jitinm@icraindia.com

Kinjal Shah
+91 022 61143442
kinjal.shah@icraindia.com

Sakshi Suneja
+91 22 6169 3345
sakshi.suneja@icraindia.com

Karan Gupta
+91 22 6114 3457
karan.gupta@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.