

June 24, 2025

Vashi Integrated Solutions Limited: Long-term ratings reaffirmed and assigned for enhanced amount; outlook revised to Negative; short-term ratings assigned

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term – Fund Based – Cash Credit	194.00	305.00	[ICRA]A (Negative); reaffirmed/ assigned for enhanced amount; Outlook changed to Negative from Stable
Long Term – Non Fund Based Facilities	40.0	70.00	[ICRA]A (Negative); reaffirmed/ assigned for enhanced amount; Outlook changed to Negative from Stable
Long Term – Fund Based - Channel Financing	21.00	-	-
Short Term - Fund Based - Channel Financing	-	35.00	[ICRA]A2+ assigned
Total	255.0	410.00	

*Instrument details are provided in Annexure I

Rationale

The revision of the outlook on Vashi Integrated Solutions Limited (VISL) long-term rating to Negative reflects deterioration in coverage indicators owing to weak profitability, as well as higher finance costs.

Revenue for FY2025 (+32% YoY) at Rs. 1916 crore was higher than expected but there has been contraction in operating profit margin (OPM) from 4.7% in FY2024 to 3.1% in FY2025, resulting in lower OPBIDTA YoY at Rs. 60 crore in FY2025 vs Rs. 68 crore in FY2024. Further, interest cost also increased by 38% YoY to Rs. ~26 crore in FY2025. Consequently, interest coverage declined to 2.3 times in FY2025 vs 4.2 times/5.2 times in FY2024/FY2023. Further, while gearing was comfortable at 0.74 times as on Mar-2025 (0.63 times as on Mar-2024), TOL/TNW deteriorated to 1.6 times as on Mar-2025 vs 1.1 times/0.8 times as on Mar-2024, due to higher debt as well as higher creditors. Above indicators are expected to witness gradually improve from FY2025 level over the next couple of years but shall still remain weaker than FY2023-FY2024 levels in the medium term.

ICRA's reaffirmation of the ratings for favourably factors in its strong market position in the distribution of electrical and automation products and its established relationship with reputed original equipment manufacturers (OEMs) like Siemens, Finolex, Polycab, Bonfiglioli, ABB, Legrand, Jinkosolar, Renewsys, etc., supported by the extensive experience of the promoters for over four decades in the industry. VISL's revenue grew at a CAGR of ~20% over FY2017-FY2025 as investment picked up in various end-user industries like residential and commercial real estate, data centres, pharma, renewable power, metals and the other broader manufacturing sector in the last five years.

The rating also factors in a healthy financial risk profile marked by comfortable capital structure, though the operating margins remain thin, given the relatively low value-added nature of the business.

Going forward, the company is expected to continue to witness a healthy growth over the medium term on the back healthy demand for its distributed products, supported by the Government's push towards manufacturing and infrastructure development, and maintain a healthy financial risk profile. VISL' top ten customers typically account for ~12-18% of the sales (17% in FY2025), implying a well-diversified customer base.

These strengths are partially offset by susceptibility to cyclicity in end-user industries. The rating also takes into consideration the high working capital-intensive nature of the company's operations, amid elongated payment cycles from customers and

high inventory holding requirements against a low creditor period, as prevalent in the distribution business. ICRA also notes the increase in the working capital borrowings to fund the revenue growth as well as to fund the security to the lenders for availing the bank facilities, which has restricted the expected improvement in debt protection metrics, although the metrics continue to remain comfortable. Further, its revenues are susceptible to the performance of its key principals with over ~60% of its revenue being derived from distributing the products of the top 5 suppliers/OEMs.

Key rating drivers and their description

Credit strengths

Established relationships with reputed OEMs and healthy demand outlook - VISL is an authorised channel partner of over 25 leading industrial brands like Siemens, Finolex, Polycab, Bonfiglioli, ABB, Legrand, Jinkosolar, Renewsys, etc. All these OEMs have witnessed strong traction in sales post-Covid as investment picked up in various end-user industries like residential and commercial real estate, data centres, pharma, renewable power, metals, and the other broader manufacturing sector, giving a fillip to the capital goods sector. However, while the near-term outlook for the sector is positive as well, it remains susceptible to the cyclicity of the investment cycle of the various end-user industries. Over the years, the company has developed expertise in identifying and predicting goods required by different customer segments, and it carried an inventory of Rs. ~275 crore as on Mar-2025, stocking over 100,000+ SKUs (stock keeping units).

Diversified client base and expanding geographical reach - VISL' top ten customers typically account for ~12-18% (~17% in FY2025) of the sales. Hence, the customer risk is well diversified. With focus on client selection and their due diligence, the incidence of debtor write-offs/provisions has remained low till now despite high debtor days. Further, the clients are reasonably well-diversified across various end-user segments like solar EPC players, machine manufacturers, electrical panel integrators, construction/MEP contractors, retailers, end users, etc.

VISL derives a significant proportion of its revenues from near the Bhiwandi industrial cluster. However, the firm is gradually diversifying its geographical presence and adding more products to expand the scale of operations. It regularly enhances its warehousing capacity to expand geographical reach.

Credit challenges

Limited bargaining power with suppliers; highly fragmented industry – VISL commands a strong market position near the Bhiwandi region but faces higher competitive intensity from regional players in other industrial clusters, for each of its major product segments. The company largely procures its raw material from a few large OEMs, thus posing supplier concentration risk and resulting in low bargaining power, although its established relationship with the suppliers provides comfort.

High working capital intensity from elongated receivable cycle and high inventories - VISL's working capital intensity remains high owing to its elongated receivable cycle emanating from the extended credit periods (60-90 days typically, which can extend further) being offered to customers, and the high inventories being stocked for prompt customer service. ICRA notes that the company's debtors of more than 90 days outstanding are substantial at ~30% as on Dec-2024 (~16% as on Mar-2024) even as the credit terms are for 60-90 days, while it maintains ~45-60 days of inventories, exposing it to significant debtor provisioning and inventory obsolescence risks. However, debtor and inventory write-offs have been very minimal over the past 5 years, due to prudent customer selection and supplier relationships.

As on December 31, 2024, the company's receivables over 180 days was around Rs. 15 crore spread across multiple customers; any large write-off could negatively impact the profitability and coverage metrics. Further, the credit period availed from suppliers is low due to the company's strategy to avail higher discounts on purchases for upfront payments to suppliers. Consequently, the net working capital (NWC)/operating income (OI) has been high at ~21% for FY2025, although it improved from ~26% in FY2024 largely due to higher creditors pertaining to solar segment related purchases, apart from significant jump in operating income as well.

Sharp decline in debt indicators owing to weak profitability - Revenue for FY2025 (+32% YoY) at Rs. 1916 crore was higher than expected but there has been contraction in operating profit margin (OPM) from 4.7% in FY2024 to 3.1% in FY2025, resulting in lower OPBIDTA YoY at Rs. 60 crore in FY2025 vs Rs. 68 crore in FY2024. Further total debt (including unsecured loans from promoters/related parties) increased from Rs. 175 crore as Mar-2025 to Rs. 211 crore as on Mar-2025. While promoter debt remained at around Rs. ~50 crore throughout FY2025, average external debt increased from Rs. ~100 crore in FY2024 to Rs. ~200 crore in FY2025. Consequently, interest cost increased by 38% YoY to Rs. ~26 crore in FY2025.

Consequently, interest coverage declined to 2.3 times in FY2025 vs 4.2 times/5.2 times in FY2024/FY2023. Further, while gearing was comfortable at 0.74 times as on Mar-2025 (0.63 times as on Mar-2024), TOL/TNW deteriorated to 1.6 times as on Mar-2025 vs 1.1 times/0.8 times as on Mar-2024, due to higher debt as well as higher creditors. Above indicators are expected to witness gradually improve from FY2025 level over the next couple of years but shall still remain weaker than FY2023-FY2024 levels in the medium term.

Liquidity position: Adequate

The company's cash balances of Rs. ~52 crore as on Mar-2025 are largely encumbered towards margin requirement for working capital facilities. VISL's cash flow from operations has remained low and volatile due to continued investments in working capital, given the thin operating profits and strong revenue growth. VISL's working capital limit utilisation increased during FY2025 and was moderately high at Rs. ~145 crore as on March 31st, 2025 (~75% of available sanctioned limits and ~47% of the drawing power; average of 87%/56% of the sanctioned limit/drawing power for FY2025). Further, after factoring in moderate ECLGS term loan repayment commitments of Rs ~6 crore/~3 crore during FY2026/FY2027 and routine capex of Rs. ~4-6 crore to be incurred over FY2026-FY2028, the liquidity remains adequate, considering the cushion in working capital limits.

Rating sensitivities

Positive factors – ICRA may revise the outlook to stable the rating if there is an improvement in profitability and working capital cycle.

Negative factors – Pressure on the rating may arise if an elongation in the working capital cycle adversely impacts the liquidity position of the company. Moreover, any material decline in revenue and profit generation can also lead to a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of VISL. List of companies given in Annexure-2

About the company

The Vashi group deals in trading of electrical power distribution components like switchgears, gearboxes, terminal blocks, meters, drives, motors, automation components like PLCs and VFDs, and wiring accessories, apart from certain service offerings. The group also offers solar panels, inverters, and other components to solar EPC players. It has established relationship with various capital goods OEMs like Siemens, ABB, Polycab, Philips, SKF, Finolex, Hindustan Motors, Castrol, SMC, Unistar, Panasonic, Omron, Bonfiglioli, etc. VISL serves as a distribution partner for these OEMs. VISL was set up by the Dodeja brothers in 1978 as a partnership firm, which got reconstituted as a private limited company in 1991. It has warehouses to stock various SKUs. VISL is ISO 140001 certified. The Group employs over 1000 people (~750 in VISL), of which over 300 are sales engineers. Total warehouse capacity is ~10 lakh sq. ft. including over 22 fulfillment centers.

Key financial indicators (audited)

VISL (standalone)	FY2023	FY2024	FY2025P
Operating income	1,005	1,451	1,916
PAT	32.6	40.8	26.0
OPBDIT/OI	5.6%	4.7%	3.1%
PAT/OI	3.2%	2.8%	1.4%
Total outside liabilities/Tangible net worth (times)	0.8	1.1	1.6
Total debt/OPBDIT (times)	2.2	2.6	3.5
Interest coverage (times)	5.2	4.2	2.3

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; P: Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)					Chronology of rating history for the past 3 years					
					FY2026	FY2025	FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long-Term	305.00	June 24, 2025	[ICRA]A (Negative)	May 20, 2024	[ICRA]A (Stable)	-	-	Jan 03, 2023	[ICRA]A (Stable)
									Feb 02, 2023	[ICRA]A (Stable)
Non Fund Based Facilities	Long-Term	70.00	June 24, 2025	[ICRA]A (Negative)	May 20, 2024	[ICRA]A (Stable)	-	-	Feb 02, 2023	[ICRA]A (Stable)
Fund Based - Channel Financing	Long-Term	-	June 24, 2025	-	May 20, 2024	[ICRA]A (Stable)	-	-	Feb 02, 2023	[ICRA]A (Stable)
Fund Based - Channel Financing	Short-Term	35.00	June 24, 2025	[ICRA]A2+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term – Fund Based – Cash Credit	Simple
Long Term – Non Fund Based Facilities	Very Simple
Short Term – Fund Based - Channel Financing	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 – Cash Credit	NA	NA	NA	305.00	[ICRA]A (Negative)
NA	Long Term – Non Fund Based Facilities	NA	NA	NA	70.00	[ICRA]A (Negative)
NA	Short Term – Fund Based - Channel Financing	NA	NA	NA	35.00	[ICRA]A2+

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
Midex Vashi Marketing Private Limited	51%	Full consolidation
Purva Vashi Electricals & Services Private Limited	50%	Full consolidation
Western Auto Spares & Services Company	51% profit sharing (Partnership Firm)	Equity method
Western Lube Company	51% profit sharing (Partnership Firm)	Equity method

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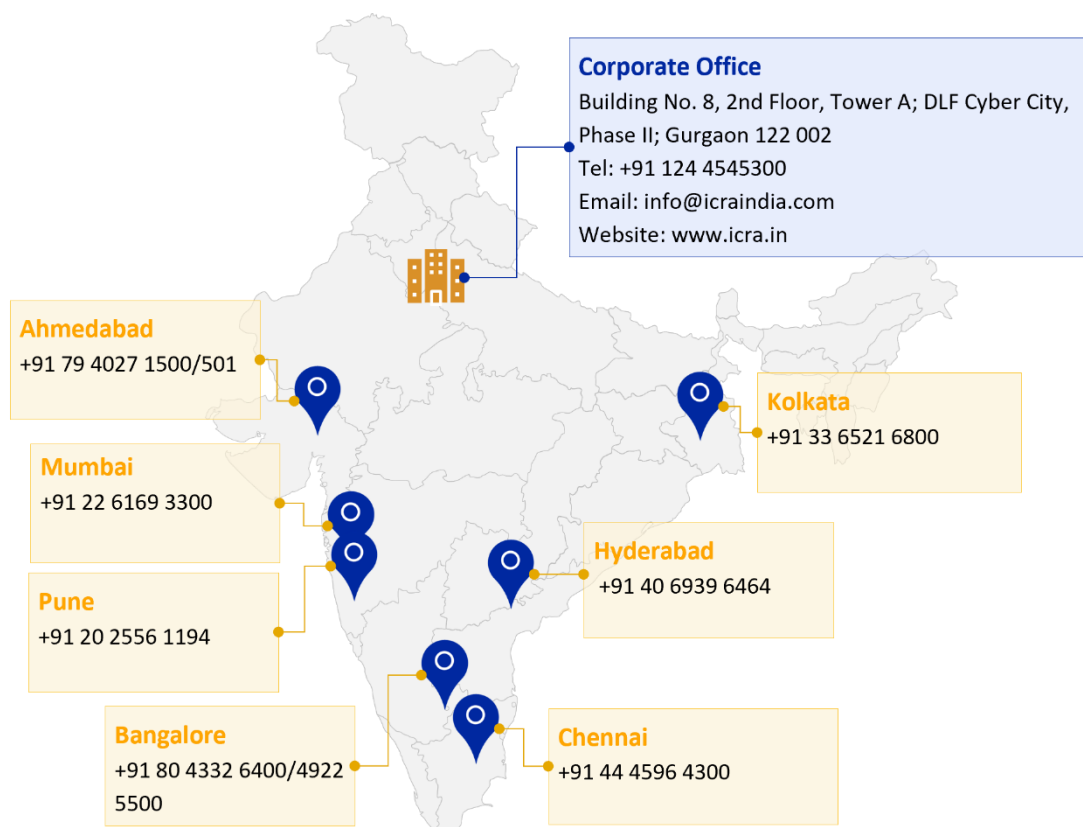
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