September 11, 2026

Val-Met Engineering Private Limited: Ratings upgraded and removed from Watch with Positive Implications; Stable outlook assigned, rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Long term – Fund based - Cash credit	40.0	40.0	[ICRA]BBB (Stable); upgraded from [ICRA]BBB-; removed from Rating Watch with Positive implications and Stable outlook assigned	RBI
Long term – Fund based - CC (Sublimit)	(25.0)	(25.0)	[ICRA]BBB (Stable); upgraded from [ICRA]BBB-; removed from Rating Watch with Positive Implications and Stable outlook assigned	RBI
Short term – Fund based - OD (Sublimit)	0.0	(15.0)	[ICRA]A3+; upgraded from [ICRA]A3; removed from Rating Watch with Positive Implications	RBI
Short term - non-fund based - Letter of credit	57.5	123.5	[ICRA]A3+; upgraded from [ICRA]A3; removed from Rating Watch with Positive Implications; Assigned for enhanced limits	RBI
Short term - non-fund based - LC/BG/BC (Sublimit)	(97.5)	-	-	RBI
Total	**97.5**	**163.5**		

**Instrument details are provided in Annexure I*

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Rationale

On April 22, 2026, ICRA had placed the ratings on Watch with Developing Implications for the bank lines of Val-Met Engineering Private Limited (VMEPL) following its announcement of securing Rs. 200 crore from the Nuvama Crossover Opportunities Fund, part of the Nuvama Group. ICRA has now resolved the watch wherein the rating upgrade considers the improvement in the business performance in FY2026 and expectation of improvement in its overall financial profile following receipt of the first tranche of investment of Rs. 140 crore from the Nuvama Group through compulsorily convertible preference shares (CCPS). An additional infusion of Rs. 60 crore is expected in the near term. ICRA understands that the proceeds are planned to be utilised for inventory augmentation, capacity expansion and additional value-added processing activities. These initiatives are expected to support a scale-up in operations and improve profitability over the medium term. While the occurrence of these developments and the potential benefits arising from the same remains to be seen, materialisation of the same with consequent improvement in financial profile will be a key rating positive.

VMEPL is engaged in the business of providing speciality supply chain solutions to the aerospace, Defence, space and infrastructure sectors. The operating income of the entity is estimated to have increased by over 20% YoY in FY2026 (provisional). However, its operating margins are likely to have contracted in FY2026 (provisional) primarily due to changes in the product mix and higher material and logistics costs resulting from the West Asia crisis. Supported by a healthy order book, the company is expected to sustain its revenue momentum in FY2027 while maintaining adequate cash flows and debt metrics following the fund infusion.

The ratings are, however, constrained by the entity's higher working capital-needs inherent to the nature of business, given the large inventory holding requirements and elongated receivable cycle from key clients. Nevertheless, given the management's long experience in the business, the company mitigates the risks by timing its material procurement and keeping optimal inventory based on the orderflows. The ratings also consider the moderate customer concentration risk, although the client profile is strong and the company has longer relationships with the customers. The risks are however mitigated as these customers source the speciality products for different end-uses and applications. Further, VMEPL's earnings remain susceptible to adverse movements in raw material prices, accordingly any inability to fully pass-on the increase in input costs could potentially impact the margins.

The Stable outlook on VMEPL's rating reflects ICRA's expectations of healthy revenue and earnings growth, supported by the strong order book and enhanced financial flexibility following the fund raise. The outlook underlines ICRA's expectations that any incremental capital expenditure will be funded in a manner that it is able to durably maintain its debt protection metrics.

Key rating drivers and their description

Credit strengths

Experience of promoter and established track record with its customer - The promoter has extensive industry experience of more than a decade, which has enabled the company to build strong relationships with customers and secure repeat orders. Key customers of the entity include Hindustan Aeronautics Limited (HAL), Vikram Sarabhai Space Centre (VSSC), Aerostructures Manufacturing India Private Limited and ASTIC-INDIA Environmental Engineering Private Limited, Collins Aerospace, GE group among others.

Improved net worth following fund infusion from Nuvama Group - In March 2026, VMEPL received Rs. 140 crore from the Nuvama Group through CCPS carrying a coupon rate of 0.001%, with coupon payments accruing over the tenure. An additional infusion of Rs. 60 crore is expected in the near term. The proceeds are to be utilised for inventory augmentation and capacity expansion. The company also plans to enhance its value-addition capabilities by introducing additional processing stages in its manufacturing operations. Following this infusion, the entity's debt ratios have improved, with total outside liabilities/tangible net worth (TNW) and total debt/TNW estimated to have improved to 0.8 times and 0.6 times, respectively, in FY2026 (provisional) from 1.7 times and 1.3 times, respectively, in FY2025.

Medium scale of operations – Given its established track record with customers, the entity receives repeat orders. Revenue from operations is estimated to have increased by over 20% YoY supported by healthy order inflows across segments, is expected to sustain its momentum in FY2027. However, operating margins contracted in FY2026 (provisional) primarily due to changes in the product mix and higher material and logistics costs resulting from the West Asia crisis. Following the fund infusion, the entity's cash flows and debt metrics have improved as of June 2026.

Credit challenges

Working capital intensive nature of operations – Inherent to the nature of business, the working capital intensity is high, given the large inventory holding requirements and elongated receivable cycle from its key clientele. While order execution and revenue recognition are concentrated in the last quarter, particularly in March, working capital requirements persist throughout the year. Collections follow the agreed credit terms with customers, while inventory accumulation depends on order flows and price movements. Accordingly, the company's dependence on working capital funding remains high, part of which it expects to manage from the recent fund infusion.

Vulnerable to demand trends in end-user segments – The entity's performance also depends on budgetary allocations by its end customers and the performance of the end-user industries, which is inherent to any nature of industry. Accordingly, any sharp contraction in demand flows could curtail its business prospects. In addition, VMEPL faces moderate client concentration risk, although the client profile is strong and the company has longer relationships with the customers.

Liquidity position: Adequate

VMEPL's liquidity position remains adequate, supported by free cash balance of Rs. 55 crore as on July 31, 2026. Apart from this, the entity had unutilised working capital limits of Rs. 57.5 crore as of June 2026. The working capital utilisation peaks at the year end due to high billings in Q4 although the same moderates in the remainder of the year. The company has a sanctioned limit of Rs. 163.5 crore, the utilisation on which has reduced in recent months post the fund infusion. The company's planned capex for capacity expansion is expected to be funded through the recently received proceeds and internal accruals.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is a healthy and sustained improvement in the scale of operations and profitability, accompanied by more efficient working capital management, while maintaining comfortable debt protection metrics and liquidity.

Negative factors – The ratings could be downgraded if sustained pressure on the company's operating performance or an inability to reduce the working capital cycle adversely affects its liquidity and debt protection metrics.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the rated entity

About the company

VMEPL was incorporated in 2007 by Mr. P. H. Subramoni. The company is engaged in the business of providing speciality supply chain solutions to space research, aerospace, Defence and other industrial applications. These components are made from aluminium alloys, nickel alloys, stainless steel, titanium and other metal alloys. The entity has two manufacturing facilities located in Chennai (Tamil Nadu) and Sricity (Andhra Pradesh). In March 2026, VMEPL received a private equity investment of Rs. 140 crore in the form of CCPS from the Nuvama Group. An additional infusion of Rs. 60 crore is expected in the near term.

Key financial indicators (audited)

VMEPL (Standalone)	FY2024	FY2025
Operating income	139.6	172.6
PAT	18.1	27.0
OPBDITA/OI	20.9%	25.9%
PAT/OI	13.0%	15.6%
Total outside liabilities/Tangible net worth (times)	2.0	1.7
Total debt/OPBDITA (times)	2.5	2.3
Interest coverage (times)	8.6	7.0

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

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

Note – The financials for FY2026 are yet to be audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2027)					Chronology of rating history for the past 3 years					
	FY2027					FY2026		FY2025		FY2024	
Instrument	**Type**	**Amount rated (Rs crore)**	**September 11, 2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund-based-Cash credit	Long Term	40.00	[ICRA]BBB (Stable)	Apr 22, 2026	[ICRA]BBB-; Rating Watch with Positive Implications	Jun 19, 2025	[ICRA]BBB- (Stable)	-	-	-	-
Fund-based - CC (Sublimit)	Long Term	(25.00)	[ICRA]BBB (Stable)	Apr 22, 2026	[ICRA]BBB-; Rating Watch with Positive Implications	Jun 19, 2025	[ICRA]BBB- (Stable)	-	-	-	-
Non-fund based-Letter of credit	Short Term	123.50	[ICRA]A3+	Apr 22, 2026	[ICRA]A3; Rating Watch with Positive Implications	Jun 19, 2025	[ICRA]A3	-	-	-	-
Fund-based - OD (Sublimit)	Short Term	(15.00)	[ICRA]A3+	-	-	-	-	-	-	-	-
Non-fund based-LC/BG/BC (Sublimit)	Short Term	-	-	Apr 22, 2026	[ICRA]A3; Rating Watch with Positive Implications	Jun 19, 2025	[ICRA]A3	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based - Cash credit	Simple
Long term – Fund based - CC (Sublimit)	Simple
Short term - non-fund based - Letter of credit	Simple
Short term - Fund-based- OD (Sublimit)	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	Financial Sector Regulator#
NA	**Cash credit**	NA	NA	NA	40.0	[ICRA]BBB (Stable)	RBI
NA	**CC (Sublimit)**	NA	NA	NA	(25.0)	[ICRA]BBB (Stable)	RBI
NA	**Letter of credit**	NA	NA	NA	123.5	[ICRA]A3+	RBI
NA	**OD (Sublimit)**	NA	NA	NA	(15.00)	[ICRA]A3+	RBI

Source: Company

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Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis - Not applicable

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ABOUT ICRA LIMITED

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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.

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