

Dated: 22nd December, 2022

The Deputy Manager,
Department of Corporate Services
BSE Limited, PJ Towers, Dalal Street,
Mumbai-01

Sub: Contesting & Appealing against the proposed downgrading of credit rating by Acuite Ratings& Research in respect of M/s. Virinchi Limited and M/s. Virinchi Health Care Private Limited(Material Subsidiary Company)

We are contesting & appealing against the proposed downgrading of credit rating of M/s. Virinchi Limited and Virinchi Healthcare Private Limited proposed by M/s. Acuite Ratings & Research as informed to us today as below.

“Acute has proposed to downgrade its long-term rating to ‘ACUITE BB+’ (read as ACUITE double B ‘plus’) from ‘ACUITE BBB-’ (read as ACUITE triple B ‘minus’) and short term rating to ‘ACUITE A4+’ (read as ACUITE A ‘four plus’) from ‘ACUITE A3’ (read as ACUITE A ‘three’) on the Rs.25.00 Cr bank facilities of Virinchi Limited (VL).

Acuité proposed to downgrade its long-term rating to ‘ACUITE BB+’ (read as ACUITE double B ‘plus’) from ‘ACUITE BBB-’ (read as ACUITE t riple B ‘minus’) and short term rating to ‘ACUITE A4+’ (read as ACUITE A ‘four plus’) from ‘ACUITE A3’ (read as ACUITE A ‘three’) on the Rs.90.28 Cr bank facilities of Virinchi Healthcare Private limited (VHPL).

The rating downgrade takes into account the decline in the operating performance in current fiscal year (FY2023 - Prov; September 2022) wherein the group has reported Rs.154.81 Cr of operating income and a net loss of Rs.(1.26) Cr. Moreover, the change in accounting practise as per the accounting standard IND AS 116, has resulted in restatement of lease liabilities leading to decrease in the net profit by Rs.23.67 Cr. in the FY2022.”

We have disagreed to the above statements and have appealed against the downgrade of rating and are contesting the reasons stated by them and our rationale is as follows:

The consolidated operating revenue for 6M of FY2023 is Rs. 154.81 Cr while the corresponding number of 6M FY2022 is Rs. 198.19 Cr, which had a **onetime Covid healthcare** income of Rs. 71.33 Cr in Q1FY2022. The 6MFY2023 SaaS and IDC & IT Services revenues have remained almost the same as those of 6MFY2022 revenues. The average quarterly healthcare revenues in FY 2022 are around Rs. 35 Cr. Hence, if Q1 FY 2022 number is normalised for comparison purpose, then there would not be much of change in healthcare numbers across 6MFY 2022 and 6MFY 2023.

The debt service capability of the group is intact as can be seen from the fact that Debt Service Coverage ratio is about 12.44 for 6 months period in H1 2022- 23 and that company has not missed even a single repayment instalment beyond due date

Given the above, we strongly believe that the rating of both Virinchi Healthcare Private Limited and Virinchi Limited would be in order for an upgrade to at-least investment grade of BBB.

We will inform the exchange whenever we have any further updates on the above issue

This is for your record and reference.

Thanking you,

Yours Truly
For Virinchi Limited

K Ravindranath Tagore
Company Secretary
M.No.A18894