

July 23, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan - I	0.91	SMERA BB- / Stable (Assigned)
Term Loan - II	0.33	SMERA BB- / Stable (Assigned)
Proposed Term Loan	4.00	SMERA BB- / Stable (Assigned)
Cash Credit	3.00	SMERA BB- / Stable (Assigned)
Proposed Cash Credit Enhancement	0.50	SMERA BB- / Stable (Assigned)
Letter of Credit	0.30	SMERA A4 (Assigned)
Bank Guarantee	0.40	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short-term rating of **SMERA A4** (read as **SMERA A four**) to the abovementioned bank facilities of Vasantha Advanced Systems (VAS). The rating derives comfort from the three decade experienced promoter, healthy financial profile and effective working capital management. The ratings further derive comfort from the presence of price escalation clause in contracts executed. However, the ratings are constrained by firm's low scale of operations, declining operating margins. The ratings are further constrained by susceptibility of firm's profit margins to volatility in raw material prices and debt funded expansion plan.

Outlook: Stable

SMERA believes that VAS will continue to benefit over the medium term from its promoters experience in the industry. The outlook may be revised to 'Positive' in case the company is able to register healthy revenues and sustain its profitability. Conversely, the outlook will be revised to 'Negative' in case of significant decline in company's revenue and profit margins.

About the Company

Established in 1995 by Mr. S. Chidambaranathan, VAS is a Coimbatore-based proprietorship firm engaged in manufacturing of micro control based electronic controllers, assembling high quality Printed Circuit Boards (PCB) and Coils.

For FY2013-14, firm reported PAT of Rs. 0.23 crores on operating income of Rs. 16.84 crores as compared with PAT of Rs. 0.18 crores on operating income of Rs. 12.78 crores for FY2012-13. For FY2014-15 (provisional financials), firm reported PAT of Rs. 0.33 crores on operating income of Rs. 21.84 crores.

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