

Press Release

VASANTHA ADVANCED SYSTEMS

08 March, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 9.44 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 9.44 crore bank facilities of VASANTHA ADVANCED SYSTEMS. The outlook is '**Stable**'.

Established in 1995, 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. The firm was established by Mr. S. Chidambaranathan. The day to day operations are managed by (operations), Mr. Karthikeyan alias Mr. K.R. Arthanareeswarar (CEO) and Mr. Jafer Sadiq (CFO).

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoter of the firm Mr. S. Chidambaranathan, is a B.E (E.E.E), MBA and is having more than three decades of experience in the same line of business. Further the day to day operations of the company is managed by highly experienced and qualified professionals. The firm is into the business from 1995, hence long track record of operations has helped the firm to establish healthy relationship with its customers.

- **Moderate Scale of operations**

The company is having moderate scale of operations with revenues of Rs.48.24 crore in FY2017 as against Rs.39.14 crore in the previous year. The reason for the same is due to increase in demand from customers. Further, till January 2018, the firm has booked revenue of Rs.55.00 crore (Provisional).

- **Efficient working capital management**

The firm is having working capital intensive nature of operations marked by gross current asset (GCA) days of 65 days as on 31st March 2017 as against 60 days in the previous year. The reason for the increase is due to increase in inventory days to 32 days as on 31st March 2017 as against 3 days in the previous year. Further the debtor days stood at 23 days as on 31st March 2017 as against 46 days in the previous year

Weaknesses

- **Average financial risk profile**

Average financial risk profile marked by low networth, high gearing and moderate debt protection measures. The networth stood low at Rs.5.28 crore as on 31st March 2017 as against Rs.1.21 crore in the previous year. The gearing stood at 1.66 times as on 31st March 2017 as against 2.32 times in the previous year. The total debt consists of long term debt of Rs.4.73 crore, unsecured loans from promoters Rs.0.86 crores and short term debt obligations of Rs.3.33 crore. The interest coverage ratio stood at 3.43 times in FY2017 as against 2.07 times in the previous year. The NCA/TD ratio stood at 0.15 times in FY2017 as against 0.23 times in the previous year.

- **Proprietorship constitution**

The firm is proprietorship concern; hence it is exposed to capital withdrawal risk.

Analytical Approach

SMERA has considered standalone financials of the company

Outlook: Stable

SMERA believes that VAS will continue to benefit over the medium term from its promoters extensive experience in the industry. The outlook may be revised to 'Positive' if the company reports significant improvement in revenue and operating profitability, leading to considerably better cash accruals, while improving its capital structure. Conversely, the outlook may be revised to 'Negative' if there is decline in company's revenue and profitability leading to lower than expected cash accruals or deterioration in company's financial risk profile or capital structure due to further debt-funded capital expenditure or working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	48.24	39.14	21.74
EBITDA	Rs. Cr.	1.71	1.10	1.09
PAT	Rs. Cr.	0.41	0.41	0.30
EBITDA Margin	(%)	3.55	2.81	5.02
PAT Margin	(%)	0.86	1.04	1.37
ROCE	(%)	10.60	15.32	14.34
Total Debt/Tangible Net Worth	Times	1.66	2.32	0.93
PBDIT/Interest	Times	3.43	2.07	3.30
Total Debt/PBDIT	Times	4.67	2.29	3.78
Gross Current Assets (Days)	Days	65	60	125

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
01-Dec-2016	Term Loan	Long Term	INR 0.91	SMERA B+ / Stable
	Term Loan	Long Term	INR 0.33	SMERA B+ / Stable
	Term Loan	Long Term	INR 4	SMERA B+ / Stable
	Cash Credit	Long Term	INR 3.5	SMERA B+ / Stable
	Letter of Credit	Short	INR 0.3	SMERA A4

		Term		
	Bank Guarantee	Short Term	INR 0.4	SMERA A4
23-Jul-2015	Term Loan	Long Term	INR 0.91	SMERA BB- / Stable
	Term Loan	Long Term	INR 0.33	SMERA BB- / Stable
	Proposed Long Term Loan	Long Term	INR 4	SMERA BB- / Stable
	Cash Credit	Long Term	INR 3	SMERA BB- / Stable
	Proposed Cash Credit	Long Term	INR 0.5	SMERA BB- / Stable
	Letter of Credit	Short Term	INR 0.3	SMERA A4
	Bank Guarantee	Short Term	INR 0.4	SMERA A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.45	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.97	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.40	SMERA A4
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.12	SMERA B+ / Stable

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in Deep Majumder Analyst - Rating Operations Tel: 022-67141147 deep.majumder@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt

instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*