

Press Release

VXL Instruments Limited (VXL)

February 17, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.10.00 Cr
Long Term Rating	SMERA B-/Stable (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA B-**' (**read as SMERA B minus**) on the above mentioned facility of VXL Instruments Limited (VXL). The outlook is '**Stable**'.

VXL, established in 1976 is a Bangalore-based company that manufactures thin-client computer hardware.

List of key rating drivers and their detailed description

Strengths:

Established track record and experienced management: VXL was established in 1976 as a partnership firm and converted to public limited in 1986. The promoters have more than four decades of experience in the abovementioned line of business. The day-to-day operations are headed by Mr. Madireddy V. Nagaraj (Managing Director).

Weaknesses:

Decline in revenue: The operating income of the group declined to Rs.68.55 cr in FY2015-16 from Rs.92.15 cr in FY2014-15 on account of competition and fewer orders. Further, the company booked revenue of Rs.42.50 cr from April 2016 – December 2016.

Operating losses: The group incurred operating losses of Rs.3.87 cr in FY2015-16 as against operating profit of Rs.0.73 in FY2014-15. VXL also incurred net loss of Rs.4.57 cr in FY2015-16 and Rs.4.53 in FY2014-15.

Weak financial risk profile: The financial risk profile is weak marked by negative net worth due to accumulated losses incurred during the previous years. The Interest coverage ratio and DSCR are negative due to operating loss of Rs. 3.87 cr in FY2015-16.

Analytical approach: SMERA has consolidated the business and financial risk profiles of VXL Instruments Limited and VXL Instruments Limited U.K. (subsidiary) together referred to as the VXL group. The consolidation is in view of the common ownership and operational linkages within the group.

Applicable Criteria

- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>
- Consolidation Of Companies: <https://www.smera.in/criteria-consolidation.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the VXL group will continue to maintain a stable outlook over the medium term owing to the extensive experience of the management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue while achieving profits leading to an improved business risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected revenue and net cash accruals or deterioration in the financial risk profile.

About the Rated Entity

VXL, established in 1976 is a Bangalore-based company engaged in the manufacture of thin-client hardware devices. The day-to-day operations are headed by Mr. Madireddy V. Nagaraj.

For FY2015-16, the VXL group reported net loss of Rs.4.57 cr on operating income of Rs.68.55 cr as compared with net loss of Rs.4.53 cr on operating income of Rs.92.15 cr in the previous year. The net worth stands negative at Rs.8.93 cr as on 31 March, 2016 compared to Rs. 2.74 cr in the previous year.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Cr)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Bill Discounting	LT#	10.00	SMERA B-/Stable (Reaffirmed)	04 Dec, 2015	SMERA B-/Stable (Assigned)	-	-	-	-

#Long term rating issues on client request.

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/Outlook
Bill Discounting	NA	NA	NA	10.00	SMERA B-/Stable (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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