

Press Release

VXL Instruments Limited

May 21, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long term rating of '**SMERA B-**' (**read as SMERA B minus**) on the Rs.10.00 crore bank facilities of VXL Instruments Limited. The outlook is '**Stable**'.

VXL, established in 1976, is a Bangalore-based company engaged in the manufacture of thin client and provides server based computing technology related services. The day-to-day operation of the company is headed by Mr. Madireddy V. Nagaraj (Managing Director).

Key Rating Drivers

Strengths

- **Established track record and experienced management:**

VXL established in 1976 as a partnership firm, later converted to limited company in 1986. The management line of the company has more than four decades of experience in the same line of business.

Weaknesses

- **Decline in revenue:**

The operating income has declined to Rs.50.27 crore in FY2016-17 as against Rs.68.55 crore in FY2015-16 and Rs.92.15 crore in FY2014-15. This was on account of competition and fewer orders. Further, the company has reported revenue of Rs.30.88 crore from April to December, 2017 as against Rs.42.14 crore for the same period in FY2016-17.

- **Incurred losses:**

VXL has incurred operating losses of Rs.2.05 crore in FY2016-17 as compared to operating loss of Rs.3.87 crore in FY2015-16 and operating profit of Rs.0.73 in FY2014-15. VXL also incurred net loss of Rs.3.24 crore in FY2016-17 compared to net loss of Rs.4.57 crore in FY2015-16 and Rs.4.53 in FY2014-15.

- **Weak financial risk profile:**

VXL has a weak financial risk profile marked by negative net worth. The paid up capital is at Rs.13.33 crore and gross reserve is at Rs.30.99 crore (including revaluation reserve of Rs.15.12 crore). The tangible net worth remains negative due to accumulated loss incurred by the companies during previous years. Interest Coverage Ratio and DSCR are negative due to operating loss of Rs.3.87 crore in FY2015-16.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of VXL.

Outlook: Stable

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

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	50.27	68.55	92.15
EBITDA	Rs. Cr.	-2.05	-3.87	0.73
PAT	Rs. Cr.	-3.24	-4.57	-4.53
EBITDA Margin	(%)	-4.08	-5.65	0.79
PAT Margin	(%)	-6.45	-6.67	-4.91
ROCE	(%)	268.93	224.40	7.72
Total Debt/Tangible Net Worth	Times	-3.03	-0.45	-1.57
PBDIT/Interest	Times	-2.09	-4.26	4.39
Total Debt/PBDIT	Times	-2.42	-1.17	3.86
Gross Current Assets (Days)	Days	142	130	77

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. Crore)	Ratings/Outlook
17-Feb-2017	Bills Discounting	Long Term	10.00	SMERA B- / Stable (Reaffirmed)
04-Dec-2015	Bills Discounting	Long Term	10.00	SMERA B- / Stable (Assigned)

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B- / Stable (Reaffirmed)

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ABOUT SMERA

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