

February 25, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.00*	SMERA BB/Stable (Assigned)
Term Loan	5.00	SMERA BB/Stable (Assigned)

*includes Letter of credit as a sublimit of Cash credit with 100 per cent interchangeability

SMERA has assigned a rating of '**SMERA BB**' (read as **SMERA double B**) to the above mentioned bank facilities of Val-Met Engineering Private Limited (VME). The outlook is '**Stable**'. The ratings draw comfort from the company's experienced management, moderate financial risk profile, comfortable liquidity position and reputed customer base. However, the ratings are constrained by the modest scale of operations, unevenness in revenues and susceptibility of profit margins to volatility in raw material prices and forex fluctuations.

Outlook: Stable

SMERA believes VME will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

Rating Sensitivity Factors

- Increasing scale of operations
- Maintaining operating profit margins
- Efficient working capital management

About the Company

VME was incorporated in 2007 by Mr. P. H. Subramoni (Director). The company is engaged in the manufacturing of high precision components and processing of mill product forms. The manufacturing facility is located at Chennai.

In FY2014-15, VME reported profit after tax (PAT) of Rs.1.15 crore on operating income of Rs.15.73 crore, as compared to PAT of Rs.2.16 crore on operating income of Rs.26.97 crore in the previous year.

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