

April 02, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA BBB-/Stable (Assigned)
Term Loan (proposed)	2.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	4.75	SMERA A3 (Assigned)
Bank Guarantee (proposed)	2.00	SMERA A3 (Assigned)

SMERA has assigned a long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and a short-term rating of '**SMERA A3**' (read as **SMERA A three**) to the abovementioned bank facilities of Vee Vee Controls Private Limited (VVCPL). The outlook is '**Stable**'. The ratings derive comfort from the company's established operational track record, reputed clientele and healthy financial risk profile. The ratings are also supported by the company's healthy operating margin and experienced management. However, the ratings are constrained by the company's muted revenue growth. The ratings are also constrained by the company's high dependence on the heavy engineering industry.

VVCPL, incorporated in 1990, is a Bangalore-based company engaged in manufacturing of high tension (HT) and low tension (LT) power control and automation panels. VVCPL caters to several reputed customers such as Triveni Turbine Limited, ABB India Limited and JSW Steel Limited. VVCPL's healthy financial risk profile is reflected in low leverage (debt-equity ratio) of 0.17 times as on March 31, 2014 and strong interest coverage ratio of ~6.30 times in FY2013-14 (refers to financial year, April 01 to March 31). The company reported healthy operating profit margin of ~6.61 per cent in FY2013-14. VVCPL benefits from its experienced management. Mr. Venkat Prasad, managing director of VVCPL, has around three decades of experience in the company's line of business.

VVCPL has registered muted revenue growth of ~0.36 per cent (compound annual growth rate) during FY2009-10 to FY2013-14. The company's operations are susceptible to the inherent cyclicity in the heavy engineering industry (end-user industry).

Outlook: Stable

SMERA believes VVCPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations while maintaining healthy operating profit margins. The outlook will be revised to 'Negative' in case the company reports lower-than-expected revenues and profit margins.

About the company

VVCPL, incorporated in 1990, is a Bangalore-based company promoted by Mr. Venkat Prasad. VVCPL undertakes manufacturing of HT and LT power control and automation panels. The company has a manufacturing unit in Peenya, Bangalore.

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.

For FY2013–14, VVCPL reported profit after tax (PAT) of Rs.1.98 crore on operating income of Rs.43.64 crore, as compared with PAT of Rs.1.81 crore on operating income of Rs.46.13 crore in FY2012–13. The company's net worth stood at Rs.15.19 crore as on March 31, 2014, as compared with Rs.14.61 crore a year earlier.

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