



SMERA RATINGS LIMITED

Vee Vee Controls Private Limited (VVCPL)

Rating Rationale

April 12, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA BBB-/Stable (Reaffirmed)
Term Loan	2.00	SMERA BBB-/Stable (Reaffirmed)
Bank Guarantee	6.75 (Enhanced from Rs. 4.75 crore)	SMERA A3 (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) on the Rs.4.00 crore fund based facilities of Vee Vee Controls Private Limited (VVCPL). SMERA has also reaffirmed the short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs.6.75 crore non fund based facility. The outlook is '**Stable**'.

The reaffirmation of the ratings continues to factor in the significant experience of the promoters, established operations with reputed client base and healthy financial risk profile. However, the ratings remain constrained by the high dependence of the company on the heavy engineering industry and working capital-intensive operations.

Update

VVCPL reported revenue of Rs.58.98 crore in FY2014-15 (refers to financial year, April 01 to March 31) as compared with Rs.43.63 crore in FY2013-14. The operating profitability improved from 6.61 percent in FY2014 to 8.26 percent in FY2015. SMERA also notes that the company's net worth improved from Rs.15.19 crore in FY2014 to Rs.18.00 crore in FY2015 on account of retained profits. The liquidity profile is comfortable with undrawn bank limit; the healthy net cash accruals stood at Rs.3.43 crore in FY2015.

Outlook: Stable

SMERA believes that 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' if the company is able to register healthy revenues and sustain profitability. Conversely, the outlook will be revised to 'Negative' in case of significant decline in revenue and profit margins.

Rating Sensitivity Factors

- Scalability of operations with healthy profitability
- Effective working capital management

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About the Company

VVCPL incorporated in 1990 by Mr. Venkat Prasad is engaged in the manufacturing of electric panels - HT & LT power control, automation panels at Bangalore.

For FY2014-15, VVCPL reported profit after tax (PAT) of Rs.2.80 crore on operating income of Rs.58.99 crore, as compared with PAT of Rs.1.98 crore on operating income of Rs.43.64 crore in FY2013-14. The net worth stood at Rs.18.00 crore as on March 31, 2015, as compared with Rs.15.19 crore a year earlier.

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