

## Press Release

### VSM Enterprises Private Limited (VSM)

07 February, 2017

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.5.30 Crore
<b>Long Term Rating</b>	SMERA B+/Stable (Assigned)
<b>Short Term Rating</b>	SMERA A4 (Assigned)

\*Refer Annexure for details

#### Rating Rationale

SMERA has assigned long term rating of '**SMERA B+** (read as SMERA B plus) and short term rating of '**SMERA A4** (read as SMERA A four) to the above mentioned bank facilities of VSM Enterprises Private Limited (VSM). The outlook is **Stable**.

VSM, a Delhi based company is engaged in the trading of IT and ITES products such as desktop computers, notebook computers, printers, LCD projectors among others. The company is the authorised distributor of LG products for the Haryana government.

#### List of key rating drivers and their detailed description

##### Strengths:

**Experienced promoters:** VSM was incorporated in 2002 by Mr. Ashwani Narang, Director who possesses experience of over a decade in the IT industry.

##### Weaknesses:

**Moderate scale of operations:** VSM has moderate scale of operations marked by revenue of Rs.30.70 crore in FY2015-16 as compared to Rs.30.24 core in FY2014-15. The company achieved revenue of Rs.18.00 crore till November 2016.

**Weak financial risk profile:** The weak financial risk profile is marked by high gearing of 2.90 times in FY2015-16 as against 2.82 times in FY2014-15. The operating margin stood at 2.71 per cent in FY2015-16 as against 2.96 per cent in FY2014-15. Further, the company has low net profit margin of 0.32 per cent in FY2015-16 as against loss margin of 0.30 per cent. The ROCE has been moderate at 11.60 per cent in FY2015-16 as against 13.09 per cent a year earlier. The coverage ratio stood at 1.28 times for FY2015-16 as against 1.23 times for FY2014-15.

**Competitive and fragmented IT industry:** The IT & ITES trading industry is highly competitive due to low entry barriers resulting in intense competition from the organised as well as unorganised players.

**Analytical approach:** SMERA has taken a standalone view of the business and financial risk profiles of VSM.

## Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.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 VSM will maintain a stable outlook in the medium term owing to the established operations and long standing experience of the promoter. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenue while improving profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile

## About the Rated Entity

VSM is engaged in the trading of desktop computers, notebook computers, LCD projectors among others. The company is the authorised distributor of LG products for the Haryana government and earns around 50 per cent revenue from sale to government entities. About 25 per cent of the products are imported and the rest is procured domestically from distributors across Delhi and Haryana.

For FY2015-16, the company reported PAT (profit after tax) of Rs.0.10 crore on operating income of Rs.30.70 crore, as compared with PAT of Rs.0.09 crore on operating income of Rs.30.24 crore in FY2014-15. The net worth stood at Rs.1.83 crore as on 31 March, 2016 against Rs.1.73 crore a year earlier.

**Status of non-cooperation with previous CRA (if applicable):** Non availability of information

**Any other information:** N.A.

## Rating History for the last three years

Facilities	Scale	2017		2016		2015		2014	
		Amount Rs. Crore	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Overdraft	LT	5.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	0.30	SMERA A4 (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
Overdraft	N.A	N.A	N.A	5.00	SMERA B+/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A.	0.30	SMERA A4 (Assigned)

**Note on complexity levels of the rated instrument:**

<https://www.smerra.in/criteria-complexity-levels.htm>

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**ABOUT SMERA**

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