

Press Release

Val-Met Engineering Private Limited

August 08, 2017

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 10.00 crore bank facilities of Val-Met Engineering Private Limited. The outlook is '**Stable**'.

Val Met Engineering Private Limited (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 specialty materials including titanium, nickel, cobalt, and aluminium alloys at Chennai.

Key Rating Drivers

Strengths

- **Experienced management**

VME was incorporated in 2007 and is headed by Mr. Subramoni who possesses extensive industry experience.

- **Healthy financial risk profile**

The financial risk profile of VME is healthy marked by gearing of 0.99 times as on 31 March, 2016 compared to 0.69 times as on 31 March, 2015. The total debt includes interest free unsecured loans to the tune of Rs.1.13 crore from directors. The Interest coverage ratio stood at 7.57 times for FY2016 compared to 7.92 times in FY2015. The networth stood at Rs.6.22 crore as on 31 March, 2016 compared to Rs.5.39 crore as on 31 March, 2015.

- **Reputed customer base and moderate order book**

VME caters to a reputed customer base comprising government and private entities. The company caters to the aerospace and defence sectors and has processed orders for Hindustan Aeronautics Limited, DRDO, Bharat Heavy Electricals Limited (BHEL), Larsen & Toubro Limited, Godrej & Boyce among others. Further, the company has moderate order book position of around Rs.50.00 crore.

Weaknesses

- **Uneven revenue trend**

VME has an uneven revenue trend. The revenues declined from Rs.26.97 crore in FY2014 to Rs.15.73 crore in FY2015. Further, the revenue declined to Rs.13.36 crore in FY2016 on account of delay in execution of orders. In FY2017, the company booked revenue of Rs.23.67 crore.

- **Susceptibility to fluctuations in foreign exchange rates**

Around 99 per cent of VME's purchases are through imports. Thus, VME's margins are susceptible to foreign exchange fluctuation risk in the absence of a formal hedging mechanism.

Analytical Approach

SMERA has considered the standalone financial and business risk profile.

Outlook: Stable

SMERA believes VME will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of 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 of lower-than-expected growth in revenue and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, VME reported profit after tax (PAT) of Rs.0.77 crore on operating income of Rs.13.36 crore compared to PAT of Rs. 1.15 crore on operating income of Rs.15.73 crore in the previous year. Further, the company booked revenue of Rs.23.67 crore in FY2017 (Provisional). The net worth stood at Rs.6.22 crore as on 31 March, 2016 as against Rs.5.39 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

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. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|-----------------------|
| 16 May 2017 | Cash Credit | Long Term | INR 5 | SMERA BB (Indicative) |
| | Term Loan | Long Term | INR 5 | SMERA BB (Indicative) |
| 25-Feb-2016 | Cash Credit | Long Term | INR 5 | SMERA BB / Stable |
| | Term Loan | Long Term | INR 5 | SMERA BB / Stable |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|-------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 5.00 | SMERA BB / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 5.00 | SMERA BB / Stable |

Contacts

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ABOUT SMERA

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