

Veto Switchgears & Cables Limited

Instrument	Amount in Rs. Crore ^{1^}	Rating Action
Fund Based Limits-Cash Credit	35.00 (enhanced from Rs 20)	[ICRA]BBB+ (stable); reaffirmed

ICRA has reaffirmed its long term rating at [ICRA]BBB+ (pronounced ICRA triple B plus) on the Rs. 35.00 crore (enhanced from Rs 20 crore) bank limits of Veto Switchgears & Cables Limited (VSCL). The outlook on the long term rating is 'Stable'.

The rating reaffirmation takes into account the 15% yoy growth in the operating income during FY2016 along with improvement in the margins which stood at 15.61% in FY2015 and increased to 17.75% during FY2016. The reaffirmation also factors in the increase in the total debt of the company from Rs 34.82 crore in FY2015 to Rs 42.27 crore in FY2016 on account of the debt funded capital expenditure for the Jaipur plant.

The rating also factors in the experience of VSCL's promoters in the wires and cables business, its established brand name particularly in Rajasthan and its wide network comprising around 2500 dealers which ensures efficient sales and distribution. Also, presence of group companies in similar business boosts the company's bargaining power over its suppliers and its overall customer base. ICRA notes that VSCL has reported healthy operating profitability and has maintained conservative capital structure over the last few years with gearing of 0.56 time as on March 31, 2016.

ICRA has taken note of the fire which broke out at one of the company's rented warehouse at Jaipur in May 2014, which resulted in destruction of stocks of finished goods/stock in trade amounting to Rs. 16.52 crore, The fire damage resulted in muted top-line growth in FY 2015 and adversely impacted VSCL's liquidity profile, owing to additional investments in working capital required for replenishing damaged inventory; this resulted in higher interest costs for FY 2015 and consequently weaker debt protection metrics. Insurance claim for Rs 12 crore received from United Insure Company during December 2016. The rating also remains constrained by VSCL's moderate scale of operations and limited product offerings as compared to established players operating in the market and its high working capital intensity of operation on account of high inventory and receivables position. The rating also factors in highly competitive nature of wires and cables business which leads to pricing pressure for all the industry participants and VSCL's exposure to volatility in the price of key raw materials, including copper.

Going forward, the ability of the company to build its brand further to help increase the scale of operations as well as profitability, while maintaining a prudent capital structure will remain key rating drivers for the company.

Company Profile

Veto Switchgears & Cables Limited was incorporated in June 2007 as a partnership firm in the name of 'Veto Industries'. Initially, the company was involved in the manufacturing of wires & cables. In April 2007, the name of the firm was changed to "Veto Switchgears and Cables". Subsequently, in June 2007, the constitution of the firm was changed to private limited and name was changed to "Veto Switchgears and Cables Private Limited". The company was listed under NSE Emerge in December 2012, and thereafter on the main board of NSE in April 2015. Over the years, the company has significantly diversified its product profile. Currently, the company is engaged in the manufacturing of wires & cables (industrial cables, stand cables, telephone & co-axial wires) and electrical accessories (general switches, modular switches, extension cord, isolater boxes and others) and trading of ceiling fans, compact fluorescent lamps (CFL), LED lights and others. The company has a 60,000 sq. ft. manufacturing facility located at Haridwar, Uttarakhand, and an 11,000 sq. ft. manufacturing unit in Vasai (Maharashtra). The company is in the process of setting up its corporate office in Jaipur in a 6 storeyed building, which will also include an exclusive showroom for its 'Veto' brand.

^{1^} 100 lakh = 1 crore = 10 million



Recent Results

As per its audited financials for 2015-16, the company reported a net profit of Rs. 7.66 crore on an operating income of Rs. 112.09 crore, as against a net profit of Rs. 7.15 crore on an operating income of Rs. 97.30 crore in the previous year.

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