

April 15, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.00	SMERA B+/Stable (Reaffirmed)
Term Loans	4.82	SMERA B+/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA B+** (read as SMERA B plus)' on the Rs.5.82 crore bank facilities of MSP Velayutha Nadar Unit: Sree Murugan Tile Works (MSPVN). The outlook is '**Stable**'. The reaffirmation is in view of firm's comfortable liquidity position, healthy operating margins and experienced management. The rating continues to remain constrained from firm's modest scale of operations and high gearing levels. The rating also takes a note firm's exposure to geographic concentration risk and intense competition persistent in the market.

Update

MSPVN has booked revenue of Rs.7.59 crore in FY 2014-15 over Rs.5.60 crore in FY 2013-14. Though revenue has increased, the scale of operations remains modest over the past three years ended FY 2014-15. SMERA believes that the firm's revenue would improve on account of firm's established operations in the market. The firm's operating margins have remained healthy in the range of ~40 per cent over the past two years. SMERA expects the firm to sustain its healthy profitability on account of its healthy operating efficiencies. The firm's gearing remains high at 2.43 times as on March 2015. The firm's liquidity remains comfortable marked by comfortable working capital cycle of 33 days in FY 2015 and moderate utilization of working capital limits.

Outlook: Stable

SMERA believes that MSPVN will benefit from the long term operational track record and experienced management. The outlook may be revised to 'Positive' if the firm improves its scale of operation with healthy profitability. Conversely, the outlook may be revised to 'Negative' if firm's scalability has not improved, with deterioration in financial profile.

Rating Sensitivity Factors

- Operations scalability with sustenance of healthy profitability
- Geographic diversion of customer profile
- Effective working capital management
- Future capex plan and its funding

Disclaimer: A 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.

About the Firm

Erstwhile proprietorship concern MSPVN, established in 1965, was later converted into a partnership firm in 2011 with Mr. V. Kaliappan, Mrs. K. Lakshmi Anand and Mr. K.L. Mithunvel as partners. The firm is located in Tirunelveli and is engaged in manufacturing of tiles and bricks.

For FY2014-15, MSPVN reported profit after tax (PAT) of Rs.0.99 crore on operating income of Rs.7.59 crore, as compared with PAT of Rs.0.04 crore on operating income of Rs.5.60 crore in FY 2013-14.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Suman M National Sales Head – Emerging Corporate Group Tel: +91-22-6714 1151 Cell: +91- 98923 06888 Email: suman.m@smera.in Web: www.smera.in	Mohit Jain Vice President – Rating Operations Tel: +91-22-6714 1105 Email: mohit.jain@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

Disclaimer: A 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.