



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

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SMERA RATINGS LIMITED

MSP Velayutha Nadar Unit: Sree Murugan Tile Works (MSPVN)

*Rating
Rationale*

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.

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