

Press Release

MSP Velayutha Nadar Unit Sree Murugan Tile Works

October 24, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 5.82 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs. 5.82 crore bank facilities of MSP VELAYUTHA NADAR (UNIT SREE MURUGAN TILE WORKS). The outlook is '**Stable**'.

MSP Velayutha Nadar (MSP), a proprietorship firm was established in 1965 by Mr. V. Kaliappan, Mr. V. K. Lakshmi Anand and Mr. K.L. Mithunvel. It was later converted to a partnership firm in 2011. The firm, located at Tirunelveli (Tamil Nadu), is engaged in the manufacturing of tiles and bricks with installed capacity of 50,000 tiles per day.

Analytical Approach:

Acuité has considered standalone business and financial risk profile of MSP VELAYUTHA NADAR (UNIT SREE MURUGAN TILE WORKS) to arrive ratings

Key Rating Drivers

Strengths

- **Experienced management**

Mr. V. Kaliappan, the managing partner has more than five decades of experience in the ceramics industry while Mr V. K. Lakshmi Anand, the partner and son of Mr.V. Kaliappan has more than a decades experience.

Weaknesses

- **Modest scale of operation**

The company scale of operation is modest with operating income stood at Rs. 9.38 crore in FY2017-18 (provisional) compared to Rs. 9.68 crore in FY2016-17. Also the firm is exposed to intense competition from large number of players present in unorganized sector.

- **Geographic concentration risk**

Firm's operations are exposed to geographic concentration risk. Firm generates majority of its revenue from the domestic market that too mainly from individual customers located in Tirunelveli

Analytical Approach

Outlook: Stable

ACUITE believes believes that the outlook on group will remain 'Stable' over the medium term on account of the extensive experience of the management. The outlook may be revised to 'Positive' if the group reports substantial growth in revenue while maintaining profitability and improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative 'in case of deterioration in financial risk profile or decline in operating margins.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	9.38	9.68	8.41
EBITDA	Rs. Cr.	2.37	3.96	3.54
PAT	Rs. Cr.	0.10	1.62	1.85
EBITDA Margin	(%)	25.28	40.94	42.11
PAT Margin	(%)	1.03	16.73	21.95
ROCE	(%)	12.98	25.01	20.31
Total Debt/Tangible Net Worth	Times	0.55	0.56	0.95
PBDIT/Interest	Times	1.96	3.46	6.08
Total Debt/PBDIT	Times	1.46	0.96	1.45
Gross Current Assets (Days)	Days	57	69	98

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Oct-2018	Term Loan	Long Term	4.82	ACUITE B+ (Indicative)
	Cash Credit	Short Term	1.00	ACUITE B+ (Indicative)
11-Aug-2017	Term Loan	Long Term	4.82	ACUITE B+ / Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE B+ / Stable (Reaffirmed)
28-Jun-2017	Cash Credit	Long Term	1.00	ACUITE B+ (Indicative)
	Term Loan	Long Term	4.82	ACUITE B+ (Indicative)
15-Apr-2016	Cash Credit	Long Term	1.00	ACUITE B+ / Stable (Reaffirmed)
	Term Loan	Long Term	4.82	ACUITE B+ / Stable (Reaffirmed)
23-Mar-2015	Term Loan-I	Long Term	2.08	ACUITE B+ / Stable (Assigned)
	Term Loan-II	Long Term	2.74	ACUITE B+ / Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE B+ / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE B+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.26	ACUITE B+ / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.26	ACUITE B+ / Stable (Assigned)

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About Acuité Ratings & Research:

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