

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

Acuite 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:

Acuite 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 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) |

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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