

Rating Advisory

May 20, 2020 | Mumbai

Advisory as on May 20, 2020

This rating advisory is provided in relation to the rating of Murudeshwar Ceramics Limited.

CRISIL vide its publication dated April 30, 2020 highlighted the aspect of non-co-operation by Murudeshwar Ceramics Limited.

Murudeshwar Ceramics Limited has now initiated cooperation, has confirmed timeliness in debt servicing for April 2020 and has also provided 'No Default Statement' dated May 16, 2020.

You may access the Rating Rationale as appended below.

Rating Rationale

February 13, 2019 | Mumbai

Murudeshwar Ceramics Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.117.85 Crore
Long Term Rating	CRISIL B+/Stable (Reaffirmed)
Short Term Rating	CRISIL A4 (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its ratings on the bank facilities of Murudeshwar Ceramics Ltd (MCL) at 'CRISILB+/Stable/CRISIL A4'.

The ratings continue to reflect large working capital requirement impacting liquidity, and exposure to intense competition in the ceramic and vitrified tiles industry. These weaknesses are partially offset by an established market position and a comfortable capital structure.

Key Rating Drivers & Detailed Description

Weakness:

* **Large working capital requirement:** Gross current assets were high at 481 days, driven by large receivables and inventory of 98 days and 466 days, respectively, as on March 31, 2018. Liquidity management will remain constrained due to large working capital requirement.

* **Exposure to intense competition:** The company faces intense competition from other organised players in the ceramic and vitrified tiles industry, such as H&R Johnson (India) Ltd, Somany Ceramics Ltd, and Nitco Tiles Ltd; as well as from unorganised and Chinese manufacturers.

Strengths:

* **Established market position and product diversity:** The company manufactures glazed ceramic floor tiles, vitrified porcelain, and natural granite slabs, and is one of the leading players in South India. Products are marketed under the Naveen brand, with sales directly to real estate entities and through retail sales channels.

* **Comfortable capital structure:** The gearing remained low at 0.31 time and the networth healthy at Rs 338 crore, as on March 31, 2018. The interest coverage ratio was, however, moderate at 1.7 times in fiscal 2018.

Liquidity

MCL's liquidity position is stretched as seen in 97% utilization of bank lines for past 12 months ending October 2018. However liquidity has marginally improved post conversion of share warrant into equity shares. In June 18; MCL converted warrants of Rs.1.95 crore into equity shares; thereby increasing equity by Rs.7.82 crore. Further expected cash accruals of over Rs.16 crore would be sufficient to meet repayment obligation of around Rs.4 crore for fiscal 2019.

Outlook: Stable

CRISIL believes MCL will continue to benefit from its established market position in South India and support from its promoters. The outlook may be revised to 'Positive' if revenue grows while profitability remains healthy, and if the working capital cycle moderates. The outlook may be revised to 'Negative' if there is a stretch in the working capital cycle, or if debt-funded capital expenditure weakens the financial risk profile.

About the Company

Incorporated in 1983, MCL is a publicly listed company promoted by Mr R N Shetty and his family members. It manufactures glazed ceramic floor tiles, vitrified porcelain, and natural granite slabs, which are marketed under the Naveen brand.

Key Financial Indicators

As on / for the period ended March 31		2018	2017
Operating income	Rs crore	119.30	104.89
Profit after tax (PAT)	Rs crore	4.9	1.3
PAT margin	%	4.1	1.3
Adjusted debt/adjusted networth	Times	0.31	0.30
Interest coverage	Times	1.7	1.6

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Cr)	Rating Assigned with Outlook
NA	Bank Guarantee	NA	NA	NA	4.95	CRISIL A4
NA	Cash Credit	NA	NA	NA	72.58	CRISIL B+/Stable
NA	Letter of Credit	NA	NA	NA	37.7	CRISIL A4
NA	Term Loan	NA	NA	31-Mar-23	2.62	CRISIL B+/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2019 (History)		2018		2017		2016		Start of 2016
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	75.20	CRISIL B+/Stable			01-03-18	CRISIL B+/Stable	16-05-17	CRISIL BB-/Stable	04-03-16	CRISIL B+/Stable	CRISIL B+/Stable
						13-02-18	CRISIL D					
Non Fund-based Bank Facilities	LT/ST	42.65	CRISIL A4			01-03-18	CRISIL A4	16-05-17	CRISIL A4+	04-03-16	CRISIL A4	CRISIL A4
						13-02-18	CRISIL D					

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	4.95	CRISIL A4	Bank Guarantee	4.95	CRISIL A4
Cash Credit	72.58	CRISIL B+/Stable	Cash Credit	72.58	CRISIL B+/Stable
Letter of Credit	37.7	CRISIL A4	Letter of Credit	37.7	CRISIL A4
Term Loan	2.62	CRISIL B+/Stable	Term Loan	2.62	CRISIL B+/Stable
Total	117.85	--	Total	117.85	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Criteria for rating short term debt](#)

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