

January 22, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA BB/Stable (Assigned)
Term Loan	1.15	SMERA BB/Stable (Assigned)
Bill Purchase/Discounting	0.40	SMERA A4+ (Assigned)
Letter of Credit	2.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.8.55 crore bank facilities of MPR Refractories Limited (MPR). The outlook is '**Stable**'. The ratings draw comfort from the company's experienced management and established operational track record. The ratings also factor in the moderate financial risk profile, reputed client base and revision in product mix which is expected to improve profitability in the medium term. However, the ratings are constrained by the modest scale of operations, working capital intensive business and substantial dependence on the performance of the steel industry. Further, the company is also exposed to intense competition in the refractory industry.

Outlook: Stable

SMERA believes MPR will maintain a stable business risk profile in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case it registers higher-than-expected growth in revenues and net cash accruals while maintaining adequate profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up operations
- Offtake of new products leading to improved profitability
- Working capital management

About the Company

MPR, incorporated in 1987, is a Telangana-based company engaged in the manufacture of refractory bricks, monolithic and continuous casting refractory products. The company is promoted by Dr. M. Appaya and Mr. M. Chandrasekhar Rao who have experience of over three decades in the steel and refractory industry.

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SMERA RATINGS LIMITED

MPR Refractories Limited (MPR)

Rating Rationale

In FY2014-15, MPR reported profit after tax (PAT) of Rs.0.38 crore on operating income of Rs.24.17 crore, as compared to PAT of Rs.0.14 crore on operating income of Rs.19.54 crore in the previous year. The company's net worth stood at Rs.7.01 crore as on March 31, 2015 as compared with Rs.6.53 crore a year earlier.

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