

## Press Release

26 May, 2017

### MPR Refractories Limited

#### Rating Reaffirmed

<b>Total Bank Facilities Rated *</b>	Rs. 8.55 Cr.
<b>Long Term Rating</b>	SMERA BB / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

\* Refer Annexure for details

#### Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 8.55 crore bank facilities of MPR Refractories Limited. The outlook is '**Stable**'.

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. The company has installed capacity of 5000 MT per annum for continuous casting refractories and installed capacity of 3000 MT per annum for refractory bricks.

#### Key Rating Drivers

##### Strengths

- Experienced and qualified management**

The company is managed by Dr. M. Appayya, Mr. M. Chandrasekhar Rao, Mr. M. V. Rao and Mr. R.S. Dahiya. Dr. M. Appayya, Metallurgist and Degree in Management having more than three decades of experience in the refractory industry. Further, Mr. M. Chandrasekhar Rao, Managing Director is a Mechanical Engineer Graduate with over three decades of experience. Mr. M. V. Rao is a Mechanical Engineer with around three decades of experience in the refractory industry. Mr. R.S. Dahiya is Metallurgy graduate with more than four decades of experience in the Steel and Refractory Industry.

- Reputed clientele base**

MPRRL has been able to maintain long standing relationships with its reputed customers such as Vishakhapatnam Steel Plant, Mishra Dhatu Nigam Limited and Hindalco Industries Limited etc.

- Moderate Financial Risk Profile**

MPRRL has a moderate financial risk profile marked by gearing of 1.00 times for FY2015-16 as compared to 1.25 times in FY2014-15. Going forward, the gearing is expected to improve further on account of repayment of present loan and improvement in net worth. Further, company does not have any debt funded capex plan in the future. Net worth stands at Rs. 7.39 Cr. as on 31 March, 2016 compared to that of Rs. 7.01 Cr. as on 31 March, 2015. Interest coverage ratio stands at 2.40 times in FY2015-16 compared to 2.07 times for FY2014-15.

## Weaknesses

- **Small scale of operations**

MPRRL is operating at relatively small scale of operation also its revenues have declined to Rs. 17.93 Cr. in FY2015-16 from Rs. 24.17 Cr. in FY2014-15 due to global slowdown in manufacturing sectors. Further, MPRRL has registered revenue of ~Rs. 17.00 Cr in FY2016-17.

- **Working capital intensive nature of operations**

The operations of the MPRRL are highly working capital intensive marked by its gross current asset days of 230 in FY2015-16 on account of high debtor days of 111 and high inventory days of 119 in FY2015-16.

- **Intensively competitive nature of industry**

The refractory industry is intensely competitive due to presence of a number of unorganized players and threat from cheaper imports. Further, due to highly competitive nature of the refractory industry, players have limited pricing flexibility and it is difficult to pass on any hike in raw material prices to customers due to fierce competition.

## Analytical Approach

SMERA has considered the standalone business and financial risk profiles of MPR Refractories Limited

### Outlook: Stable

SMERA believes MPRRL 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 the company registers higher-than-expected growth in revenues and profit margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile

### About the Rated Entity - Key Financials

The company reported profit after tax (PAT) of Rs. 0.38 Cr. on net sales of Rs. 17.83 Cr. in FY2016 as against PAT of Rs.0.38 Cr. on net sales of Rs.24.17 Cr. in FY2015. The net worth stands at Rs. 7.39 Cr. as on March 31, 2016 compared to Rs. 7.01 Cr. as on March 31, 2015.

### Status of non-cooperation with previous CRA (if applicable)

CRISIL, vide release dated December 07, 2014 has suspended the rating stating that 'The suspension of ratings is on account of non-cooperation by MPR with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, MPR is yet to provide adequate information to enable CRISIL to assess MPR's ability to service its debt.'

### Any other information

Not Available

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

**Note on complexity levels of the rated instrument**
<https://www.smera.in/criteria-complexity-levels.htm>
**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Jan-2016	Cash Credit	Long Term	INR 5	SMERA BB / Stable
	Term Loan	Long Term	INR 1.15	SMERA BB / Stable
	Bill Purchase/Discounting	Short Term	INR 0.4	SMERA A4+
	Letter of Credit	Short Term	INR 2	SMERA A4+

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+
Term loans	Not Applicable	Not Applicable	Not Applicable	0.26	SMERA BB / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	0.40	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.89	SMERA BB / Stable

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## ABOUT SMERA

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