

MRF Limited

April 13, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long Term Bank Facilities	300	CARE AAA; Stable (Triple A; Outlook: Stable)	Assigned
Long Term Bank Facilities	1,700	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	700 (Reduced from 1,000)	CARE AAA; Stable / CARE A1+ (Triple A ; Outlook: Stable/ A One Plus)	Reaffirmed
Short Term Bank Facilities	1,000	CARE A1+ (A One Plus)	Reaffirmed
Total Bank Facilities	3,700 (Rs. Three Thousand Seven Hundred Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of MRF Limited (MRF) continue to derive strength from the long operational track record of the company, its strong market leadership position in the domestic tyre industry characterized by presence across all the user segments & strong presence in the replacement market aided by wide distribution network, strong brand image with diverse product offering and favorable financial risk profile. These credit strengths far outweigh the risks including the company's profitability being exposed to volatility in the raw material prices.

Link to access 'Description of key rating drivers; sensitivity factors considered in the previous press release' on CARE Ratings website is given below

Name	Press Release Link
MRF Limited	https://www.careratings.com/upload/CompanyFiles/PR/MRF%20Limited-09-30-2020.pdf

Liquidity: Strong

Liquidity is marked by strong cash accruals against relatively lower debt repayment obligations. Cash and liquid investments as on February 28, 2021 stood at Rs. 6,290 crore and working capital utilization of MRF for the last six month period ended January 2021 stood at around 1%. GCA during 9MFY21 stood at Rs. 1,714 crore. Scheduled term debt obligation for FY22 is around Rs. 324 crore.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook and Credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for short term instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology - Auto Ancillary Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

About the Company

MRF Ltd (MRF, CIN: L25111TN1960PLC004306), India's largest manufacturer of automotive tyres and tubes, was incorporated as a private limited company in 1960 to take over the business of a partnership firm 'The Madras Rubber Factory', started by the late Mr K M Mammen Mapillai. Over the years, the company has established a country-wide dealer network and enjoys a strong brand image. MRF had an installed capacity of 70.18 million tyres as on March 31, 2020, spread over nine plants across India. Other business operations of the company consist of manufacturing pre-cured treads, tread rubber, conveyor belts, etc.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	16,245	16,310
PBILDT	2,665	2,650
PAT	1,097	1,395
Overall gearing (times)*	0.31	0.27
Interest coverage (times)	10.54	9.43

*Including dealer deposits; A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits	-	-	-	-	1700.00	CARE AAA; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	1000.00	CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	-	700.00	CARE AAA; Stable / CARE A1+
Fund-based - LT-Term Loan	-	-	-	June 2026	300.00	CARE AAA; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Working Capital Limits	LT	1700.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Sep-20)	1)CARE AAA; Stable (04-Oct-19)	1)CARE AAA; Stable (07-Sep-18)
2.	Non-fund-based - ST-BG/LC	ST	1000.00	CARE A1+	-	1)CARE A1+ (30-Sep-20)	1)CARE A1+ (04-Oct-19)	1)CARE A1+ (07-Sep-18)
3.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (30-Sep-20)	1)CARE AAA; Stable (04-Oct-19)	1)CARE AAA; Stable (07-Sep-18)
4.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (30-Sep-20)	1)CARE AAA; Stable (04-Oct-19)	1)CARE AAA; Stable (07-Sep-18)
5.	Debentures-Non Convertible Debentures	LT	180.00	CARE AAA; Stable	-	1)CARE AAA; Stable (30-Sep-20)	1)CARE AAA; Stable (04-Oct-19)	1)CARE AAA; Stable (07-Sep-18)
6.	Fixed Deposit	LT	-	-	-	1)Withdrawn (30-Sep-20)	1)CARE AAA (FD); Stable (04-Oct-19)	1)CARE AAA (FD); Stable (07-Sep-18)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
7.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (30-Sep-20)	1)CARE AAA; Stable (04-Oct-19)	1)CARE AAA; Stable (07-Sep-18)
8.	Fund-based/Non-fund-based-LT/ST	LT/ST	700.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (30-Sep-20)	-	-
9.	Fund-based - LT-Term Loan	LT	300.00	CARE AAA; Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
Bank Facilities (Fund/Non-Fund Based)	
A. Financial covenants	
Not Applicable	-
B. Non-financial covenants	
i) Borrower shall not undertake the following activities, without the prior permission of the Lead Bank in writing	a) Effect any change in the capital structure b) Formulate any scheme of Amalgamation or Reconstruction c) Undertake guarantee obligations on behalf of any third party or any other company other than subsidiary d) Implement any scheme of Expansion/ Diversion/ Modernization other than routine CAPEX

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - LT-Working Capital Limits	Simple
3.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Name: Mr. Mradul Mishra
Contact No.: +91 22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact

Name –Mr. Sudhakar P
Contact no.- 044 – 2850 1000
Email ID- p.sudhakar@careratings.com

Relationship Contact

Name: Mr. Pradeep Kumar V
Contact no.: 044 – 2850 1000
Email ID : pradeep.kumar@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**