

MSR India Limited
February 23, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	10.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable; (Single B Plus; Outlook: Stable)
Short Term Bank Facilities	3.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	13.00 (Rs. Thirteen Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 20, 2020, placed the rating(s) of MSR India Limited (MSR) under the 'issuer non-cooperating' category as MSR had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. Further, the ratings of MSR has been revised to "CARE B; stable/CARE A4; Issuer Not Cooperating" based on the best available information on account of subdued financial performance along with operational and net loss reported by the company in Q3FY21.

The rating on MSR India Limited's (MSR) bank facilities will now be denoted as **CARE B; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in the rating is on the account of deterioration in the overall financial performance of the company during Q3FY21 and 9MFY21 as per the results published by the company.

Detailed description of the key rating drivers

The revision in the long term ratings is on account of subdued financial performance of the company during Q3FY21 and 9MFY21 (FY refers to the period from April 01 to March 31)

Following were the rating strengths and weaknesses as per the last PR dated November 24, 2020. (updated for latest financials available on BSE)

Key Rating Weakness***Decline in Total operating income owing to net losses***

The Total Operating Income (TOI) decreased by 4.76% during Q3FY21 vis-s-vis Q2FY21 and by 33.49% vis-s-vis Q3FY20 because of subdued performance of copper bottle sales. Moreover, the company incurred losses at PBILDT level because of higher cost of raw material. Further, the company continues to report loss at net level during Q3FY21 amounting to Rs. 8.30 crore which is more than 73.28% than the net loss reported in Q2FY21.

Moderate capital structure and debt coverage indicators during FY19

The capital structure of the company, although deteriorated as on March 31, 2019 it remained comfortable with overall gearing ratio at 1.00x as compared to 0.36x as on March 31, 2018. The deterioration in overall gearing was on account of increase in total debt levels in FY19 as compared to FY18. Further, total debt to GCA has deteriorated significantly from 2.54x during FY18 to 9.42x during FY19 due to increase in working capital borrowings. Also, interest coverage declined in FY19 due to increase in interest expense during the year. The interest coverage ratio for Q3FY21 deteriorated to (6.62x) on account of reduction in PBILDT levels.

Elongated operating cycle in FY19

The working capital cycle of the company deteriorated from 27 days in FY18 to 61 days in FY19 mainly due to high levels of inventory as on March 31, 2019 comprising of FMCG inventory and RM for copper bottles that the company procured in bulk as it had envisaged that the copper prices would rise from April 2019. Further, the company had no significant reliance on creditors during the year as its purchases were majorly on cash thereby shrinking the average creditor days to 14 in FY19 (FY18: 38 days) which also led to stretched operating cycle.

Stable Industry Outlook

The FMCG Industry is one segment that was considered to be under the essentials category and ideally should have been less affected by the lockdown than other industries. However, as will be seen there has been a differential impact on various

industries in this segment mainly due to the demand factor as consumption levels were affected due to the restrictions in movements as well as supply side issues in terms of logistics. The consumer non-durables index registered a growth of 4.1% in September compared with a negative growth of 2.3% in August 2020. This reflects improvement in consumer demand.

Key Rating Strengths

Experienced promoters & management team

The company was initially promoted by Mr. Srinivas Reddy and subsequently taken over by Mr. K.V. Rajasekhar Reddy. Mr. K.V. Rajasekhar Reddy is a Mechanical Engineer with an overall experience of five years. He is ably supported by Mr. Malla Reddy who is a doctorate in Corporate Social Responsibility and expertise's in the field of marketing. Furthermore, the management team comprises of industry professionals having significant experience in the related domain of business operations.

Competitive Advantage with brand recall

Considering the harmful effecting of usage of plastic and at the same time benefits of using copper utensils is gradually gaining its predominance. Understanding the business opportunity, MSR ventured into designing of a seamless copper water bottle which is marketed under the brand '**Dr. Copper**' along with various health benefits of using it. The company has a competitive advantage as there are very few players in the unorganized market and no competitor in the organized market. Further, the company developed a strong brand image through print media and TV advertisements with brand recall for 'Dr. Copper'. The company has also endorsed a film star for branding and promotion of copper water bottles.

Liquidity-Stretched

Liquidity is marked by tightly matched accruals to repayment obligations, highly utilized bank limits and modest cash balance. Its average working capital utilization remained high at more than 90% for the last twelve months period ended August, 2019. The company had cash and bank balance to the tune of Rs. 1.00 crore as on March 31, 2019 and Rs. 0.33 crore as on September 30, 2020. Further, the company has availed moratorium for interest payments on working capital limits in leiu of COVID-19 for the period March 2020- August 2020.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Rating Methodology – Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

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

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

About the Company

In 2007, MSR India Limited (MSR) had acquired Star Leasing Limited and changed its name to Remidicherla Power Ltd and ventured into power sector. Further, the company entered into Infrastructure segment and changed the name to Remidicherla Power & Infra Limited. Later during FY14, the company has moved into trading of Milk products & consumer goods and the company was renamed to MSR India Limited (MSR). Further, after establishing a proper distribution network MSR ventured into manufacturing of copper water bottles and consumer goods such as Pasta, Vermicelli and Chakki Atta since July 2016. The company is engaged in manufacturing of consumer goods such as Pasta, Vermicelli, Chakki Atta marketed under the brand name "Today", copper water bottles which are marketed under the brand "Dr. Copper". Also, the company manufactures battery cell cases for aerospace & defence industry.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	191.38	50.23
PBILDT	6.45	6.84
PAT	0.62	0.05
Overall gearing (times)	1.01	0.97
Interest coverage (times)	2.79	1.86

A: Audited

Status of non-cooperation with previous CRA: CRISIL vide its PR dated October 23, 2020 has migrated the ratings of MSR to Issuer Not Cooperating category.

Any Other Information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable; ISSUER NOT COOPERATING* (24-Nov-20) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (30-Apr-20)	1)CARE BB; Stable (23-Sep-19) 2)CARE BBB-; Negative (06-Jun-19)	1)CARE BBB-; Stable (05-Jul-18)	1)CARE BBB-; Stable (14-Aug-17)
2.	Non-fund-based - ST-BG/LC	ST	3.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4; ISSUER NOT COOPERATING* (24-Nov-20) 2)CARE A4; ISSUER NOT COOPERATING* (30-Apr-20)	1)CARE A4 (23-Sep-19) 2)CARE A3 (06-Jun-19)	1)CARE A3 (05-Jul-18)	1)CARE A3 (14-Aug-17)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	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. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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