

## MSR India Limited

April 29, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; 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
<b>Total Bank Facilities</b>	<b>13.00 (Rs. Thirteen Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. had, vide its press release dated Feb 23, 2021, 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 and for the rating exercise as agreed to in its Rating Agreement. MSR continues to be non-cooperative despite repeated requests for submission of information through e-mails and phone calls. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

### 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 ratings have been revised on account of deterioration in the overall financial performance of the company during FY21 and 9MFY22 (FY refers to the period from April 01 to March 31) as per the results published by the company.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- ✓ Improvement in Total operating income to above Rs. 50.00 crore with company turning profitable.

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- ✗ Further deterioration in capital structure with decline in sales and losses, going forward.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Decline in Total operating income owing to net losses

The Total Operating Income (TOI) declined by 40.95% in FY21 as against FY20 and by 9.45% during Q3FY22 vis-a-vis Q2FY22 and by more than 180% vis-a-vis Q3FY21 on account of sub-dued financial and operational performance. 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 in FY21 and Q3FY22 however the loss at Q3FY22 was lower by 9.6% vis-s-vis Q2FY22 and lower by 86% viz-a-viz Q3FY21.

##### Leveraged capital structure and debt coverage indicators during FY21

The capital structure marked by overall gearing has deteriorated significantly on account of erosion of network. The interest coverage ratio also deteriorated to -11.33% in FY21 as against 1.80% in FY20 due to operating losses reported by the company on account of sub-dued financial and operational performance.

##### Elongated operating cycle in FY21

Although, the operating cycle improved to 178 days in FY21 as against 344 days in FY20 on account of decrease in inventory holding period and collection period, the same continues to remain elongated with full utilization of working capital limits.

### 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.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### 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 also remained high at more than 90% for the last twelve months period ended December, 2021.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Short Term Instruments](#)

### 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)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	50.23	29.66	14.84
PBILDT	6.60	-45.25	-7.24
PAT	0.03	-40.44	-10.68
Overall gearing (times)	0.97	-7.37	-
Interest coverage (times)	1.80	-11.33	-4.76

A: Audited UA: Unaudited

**Status of non-cooperation with previous CRA:** The ratings of MSR continue to remain under Issuer Not Cooperating category by CRISIL vide its PR dated January 30, 2022.

**Any other information:** NA

**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-Cash Credit	-	-	-	-	10.00	CARE B-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING*

**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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	10.00	CARE B-; Stable; ISSUER NOT COOPERATING *	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING * (23-Feb-21) 2)CARE B+; Stable; ISSUER NOT COOPERATING * (24-Nov-20) 3)CARE BB-; Stable; ISSUER NOT COOPERATING * (30-Apr-20)	1)CARE BB; Stable (23-Sep-19) 2)CARE BBB-; Negative (06-Jun-19)
2	Non-fund-based - ST-BG/LC	ST	3.00	CARE A4; ISSUER NOT COOPERATING *	-	-	1)CARE A4; ISSUER NOT COOPERATING * (23-Feb-21) 2)CARE A4; ISSUER NOT COOPERATING * (24-Nov-20) 3)CARE A4; ISSUER NOT COOPERATING * (30-Apr-20)	1)CARE A4 (23-Sep-19) 2)CARE A3 (06-Jun-19)

\* Long Term / Short Term

**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 instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

**Annexure 5: Bank Lender Details for this Company**To view the lender wise details of bank facilities please [click here](#)

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

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### About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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