MSR India Limited

April 30, 2020

Ratings

Facilities	Amount (Rs. Crore)	Ratings*	Rating Action
Long-term bank facilities	10.00	**CARE BB-; Stable ISSUER NOT COOPERATING * (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)**	**Issuer not cooperating; Revised from CARE BB; Stable (Double B, Outlook: Stable) on the basis of best available information rating put under INC**
Short-term bank facilities	3.00	**CARE A4 ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)**	**Issuer Not Cooperating; on the basis of best available information rating put under INC**
Total	**13.00 (Rs. Thirteen crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information incl. No Default Statement from MSR India Limited (MSR) to monitor the rating vide e-mail communications dated January 31, 2020 to April 16, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on MSR India Limited's (MSR) bank facilities will now be denoted as **CARE BB-, 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 long term ratings is on account of subdued financial performance of the company during 9MFY20 (FY refers to the period from April 01 to March 31)

Detailed description of the key rating drivers

At the time of last surveillance on September 16, 2019 the following were the rating strengths and weaknesses (updated from information available on BSE):

Key Rating Weakness

Decline in total operating income and net profits in Q3FY20 and 9MFY20

The Total operating income declined during Q3FY20 vis-a-vis Q2FY20 by 16.31% and by 78.15% respectively vis-a-vis Q3FY19. Further, there was significant decline of 72.20% during 9MFY20 as compared to 9MFY19 because of subdued performance of copper bottle sales marred by increasing competition. Also there has been a significant reduction in PAT levels during Q3FY20 by 68.18% vis-a-vis Q2FY20 and by 90.91% vis-a-vis Q3FY19. Decline in PAT levels during 9MFY20 was by 78.43% vis-a-vis 9MFY19 because of higher capital charge. However, the PBILDT Margin however witnessed significant improvement during 9MFY20 and was around 12.90% as against 3.20% during 9MFY19.

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.

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.

Industry Outlook- Negative over short to medium term

The FMCG Industry across the globe is experiencing strong turbulence after the outbreak of global pandemic, Covid-19. The industry across the world is experiencing a sudden steep demand for essential products. Essential products are anticipated to recover the loss incurred by the FMCG Industry up to some extent. However, stringent lockdowns, transportation issues, stock piling and lack of labors for efficient operations are some of the key challenges that most FMCG companies are facing during the outbreak of global pandemic, Covid-19. Therefore, the overall FMCG industry is anticipated to incur heavy loss post Covid-19 outbreak. However, the industry is expected to mitigate this loss up to some extent by focusing only on manufacturing of key essential products, keeping in mind different economic factors such as government restrictions related to lockdown, government relief packages and intensity of Covid-19 outbreak across the globe.

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. 0.10 crore as on March 31, 2019.

Analytical approach: Standalone

Applicable Criteria

Policy in respect on Non-cooperation by issuer
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
CARE's Methodology for Manufacturing Companies
Financial ratios – Non-Financial Sector

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 renamed the company 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 was initially promoted by Mr. Srinivas Reddy and subsequently taken over by Mr. K.V. Rajasekhar Reddy who is a Mechanical Engineer and has an overall experience of a half decade. Further, he is ably supported by highly qualified and experienced management. 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)	FY18 (A)	FY19 (A)
Total operating income	140.10	170.03
PBILDT	6.29	6.45
PAT	0.97	0.50
Overall gearing (times)	0.36	1.00
Interest coverage (times)	6.49	2.79

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

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 BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information
Non-fund-based - ST-BG/LC	-	-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; 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 BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information	-	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* Issuer not cooperating; Based on best available information	-	1)CARE A4 (23-Sep-19) 2)CARE A3 (06-Jun-19)	1)CARE A3 (05-Jul-18)	1)CARE A3 (14-Aug-17)

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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