September 9, 2025

Mahakoshal Refractories Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term-Fund based-Cash credit	72.00	72.00	[ICRA]A-(Stable); reaffirmed
Long term-Fund based-Term loan	28.70	28.70	[ICRA]A-(Stable); reaffirmed
Short term-Non-fund based-Bank guarantee	9.00	9.00	[ICRA]A2+; reaffirmed
Short term-Non-fund based-Letter of credit	4.00	4.00	[ICRA]A2+; reaffirmed
Long term-Unallocated limits	1.30	1.30	[ICRA]A-(Stable); reaffirmed
Total	**115.00**	**115.00**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of Mahakoshal Refractories Private Limited's (MRPL) ratings reflects its established track record of over five decades in the refractory industry, along with its demonstrated ability to consistently deliver operating margins above the industry average across business cycles. The ratings are also supported by MRPL's prudent approach towards capital deployment, evident from the company's conservative capital structure and healthy coverage metrics.

MRPL's product offerings include shaped/unshaped refractories and high alumina cement, which are utilised in critical operational segments for its clientele. MRPL operates in the domestic market as well as exports to the international markets, including the European and Gulf countries. Exports accounted for ~30% (declined from 32% in FY2024) of the company's revenue in FY2025, catering mainly to the non-ferrous and petrochemical sectors that fetch better margins than the steel sector. The ratings also derive strength from MRPL's competitive cost structure, supported by the Group's captive bauxite mines, established relationships with suppliers and proximity to raw material sources, along with its limited dependence on imports[1]. This ensures that MRPL's profit margin is better than the industry average.

In FY2025, MRPL reported revenues of Rs. 423.1 crore, reflecting a modest growth of approximately 7% over Rs. 397.0 crore in FY2024. However, the operating profit margin declined by 405 basis points in FY2025 compared to the previous year, primarily due to pricing pressures and elevated input costs, including raw material prices and freight expenses, amid global geopolitical headwinds. Over the medium term, MRPL is projected to witness growth in scale and a recovery in operating profit, supported by increased execution of margin-accretive export orders.

The ratings are, however, constrained by the intense competition in the industry from established players, especially in the secondary steel segment, coupled with the high working capital intensity on account of elevated inventory levels required to be maintained to enable uninterrupted operations. Further, MRPL's operating margins remain exposed to fluctuations in raw material prices. The high competitive intensity limits the company's ability to effectively pass on the raw material cost volatility to customers. Additionally, MRPL is exposed to the cyclicality inherent in the end-user industries for refractories.

[1] *MRPL's product portfolio is entirely in the non-magnesitic refractories, leading to limited dependence on imports*

The Stable outlook on MRPL's ratings reflects ICRA's opinion that the company will continue to maintain a comfortable financial profile, supported by prudent capital allocation, a competitive cost structure, and its established position as a supplier of specialised refractories in the domestic and export markets.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established track record of operations in refractory business - MRPL has been run by the Gugalia family since its inception in 1969 under the name Mahakoshal Ceramics. At present, it is managed by Mr. Arvind Gugalia, the Managing Director, with other family members being actively involved in the day-to-day operations. The company's long presence in the industry has helped it to develop a strong network of suppliers and customers.

Competitive cost structure; profit margins better than industry average across business cycles –MRPL's profit margins remain above the industry average, supported by a competitive cost structure and specialised offerings. Its group company, Jiwan Lime Chemicals Pvt Ltd (being closely held by the promoters), acquired the Jariyari bauxite mine, which began production in FY2022 and now meets ~50% of the Katni plant's bauxite needs — reducing the reliance on external sources. Additionally, MRPL has long-standing relationships with suppliers in the local Katni market, which, along with its proximity to raw material sources, ensure continuous availability of inputs at competitive rates. Additionally, the dependence on imports is lower for MRPL compared to many other industry players as the company does not operate in the basic refractory segment (basic refractories require magnesite which is imported from China). The execution of margin-accretive export orders to the European and Gulf countries in the non-ferrous segments (primarily aluminum) also supports MRPL's profitability. The company's profit margins, thus, remain better than the industry average, backed by its competitive cost base.

However, the operating profit margin declined by 405 basis points in FY2025 compared to the previous year, primarily due to pricing pressures and elevated input costs, including raw material prices and freight expenses, amid the global geopolitical headwinds. Over the medium term, MRPL is projected to witness growth in scale and a recovery in operating profit, supported by the increased execution of margin-accretive export orders and a competitive cost base.

Conservative capital structure with strong debt coverage metrics – The management follows a prudent approach towards capital allocation with low reliance on external borrowings. As on March 31, 2025, MRPL's external term debt stood at Rs. 27.9 crore and the working capital borrowing was at Rs. 28.9 crore. The company's leverage (including the unsecured promoter loans) remained low, characterised by total debt to OPBDITA of 1.5 times in FY2025 (1.6 times in FY2024). Additionally, the coverage metrics remain strong, with the interest coverage at 6 times in FY2025. The credit metrics are expected to improve, going forward, supported by stable accruals and the absence of any debt-funded capital expenditure plans over the medium term.

Credit challenges

Intense competition in industry; exposed to volatility in raw materials – The refractory industry remains fragmented with a sizeable presence of unorganised players and surplus capacity in certain segments. In addition, competition from imported refractories remains elevated on the back of low duty protection, giving easy market access to large and established overseas manufacturers. Further, MRPL's operating margins remain exposed to fluctuations in raw material prices. The high competitive intensity limits the company's ability to effectively pass on the raw material cost volatility to customers. However, ICRA notes that MRPL's focus on aluminum and other specialised sectors like petrochemicals has differentiated its product portfolio, partly mitigating the competitive pressure, which, along with its competitive cost base, has been the key driver behind its superior profit margins.

Exposed to demand fluctuations from key end-user segments – Majority of MRPL's revenue comes from aluminum, petroleum and secondary steel producers, which makes its performance highly dependent on the demand in these industries.

MRPL also caters to other industry segments, such as cement, fertiliser and power generation. However, the proportion of revenue from these segments remains small compared to the top 3 segments. This can result in a steep contraction in earnings in case of any softening of demand in its primary end-user industries.

High working capital intensity – MRPL's operations remain working capital intensive primarily due to the elevated inventory levels required to be maintained for uninterrupted operations as certain raw materials have long procurement lead times. This has been the key reason behind its inventory days remaining above 200 and the net working capital to operating income (NWC/OI) ratio being above 50% since FY2020.

Liquidity position: Adequate

The liquidity position of the MRPL is adequate, supported by a comfortable buffer in the undrawn bank limits and stable cash flows. The average utilisation of the fund-based working capital limits over the last 12 months ended June 2025 is 56%, with an undrawn limit of Rs. 40.5 crore as on June 30, 2025. The company's cash and bank balances historically remain moderate. However, the liquidity is supported by the company's calibrated growth strategy, underpinned by the absence of any debt-funded capital expenditure plans over the medium term.

Rating sensitivities

Positive factors – The rating could be upgraded if the company demonstrates a significant scale-up in its revenues and profitability while maintaining healthy liquidity and debt protection metrics on a sustained basis.

Negative factors – The rating could be revised downwards in case of any adverse impact on the company's revenue/ profitability leading to deterioration in debt protection metrics. Further, any sizeable debt-funded capex or a higher working capital requirement, leading to an adverse impact on the liquidity position of the company can trigger a downward rating revision. A specific credit metric for downgrade is the total debt/OPBITDA increasing to more than 2.3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of MRPL

About the company

Mahakoshal Refractories Pvt. Ltd. (MRPL), erstwhile Mahakoshal Ceramics, was established in 1969. It has an annual production capacity of 84,000-MT shaped refractories (bricks), 96,000-MT unshaped refractories and 24,000-MT high alumina cement (HAC) and other products of 72,000 MT where the companies calcine the raw materials and supply as finished goods. MRPL has its own facility for the calcination of different refractory raw materials with input minerals sourced from its own mines as well as from selected nearby mines. The primary plant is in the Katni district of Madhya Pradesh in central India. MRPL also has operations at Gudri – about 17 km away from the Katni plant - and at Bhachauin Gujarat near the Mundra port.

Key financial indicators

	FY2024	FY2025*
Operating income	397.0	423.1
PAT	38.1	39.0^
OPBDIT/OI	17.3%	13.3%
PAT/OI	9.6%	9.2%^
Total outside liabilities/Tangible net worth (times)	0.6	0.4
Total debt/OPBDIT (times)	1.6	1.5
Interest coverage (times)	6.3	6.0

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation; *Provisional; ^PBT ;*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep 9, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based-Cash credit	Long term	72.00	[ICRA]A- (Stable)	Jun 25, 2024	[ICRA]A- (Stable)	-	-	Mar 30, 2023	[ICRA]A- (Stable)
Fund based-Term loan	Long term	28.70	[ICRA]A- (Stable)	Jun 25, 2024	[ICRA]A- (Stable)	-	-	Mar 30, 2023	[ICRA]A- (Stable)
Non-fund based-Bank guarantee	Short term	9.00	[ICRA]A2+	Jun 25, 2024	[ICRA]A2+	-	-	Mar 30, 2023	[ICRA]A2+
Non-fund based-Letter of credit	Short term	4.00	[ICRA]A2+	Jun 25, 2024	[ICRA]A2+	-	-	Mar 30, 2023	[ICRA]A2+
Unallocated limits	Long term	1.30	[ICRA]A- (Stable)	Jun 25, 2024	[ICRA]A- (Stable)	-	-	Mar 30, 2023	[ICRA]A- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term-Fund based-Cash credit	Simple
Long term-Fund based-Term loan	Simple
Short term-Non-fund-based-Bank guarantee	Very Simple
Short term–Non-fund based-Letter of credit	Very Simple
Long term-Unallocated limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term-Fund based-Cash credit	NA	NA	NA	72.00	[ICRA]A- (Stable)
NA	Long term-Fund based-Term loan	FY2020	NA	FY2029	28.70	[ICRA]A- (Stable)
NA	Short term-Non-fund-based-Bank guarantee	NA	NA	NA	9.00	[ICRA]A2+
NA	Short term–Non-fund based-Letter of credit	NA	NA	NA	4.00	[ICRA]A2+
NA	Long term-Unallocated limits	NA	NA	NA	1.30	[ICRA]A- (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Vikram V
+91 40 6939 6410
vikram.v@icraindia.com

Sankalpa Mohapatra
+91 40 6939 6409
sankalpa.mohapatra@icraindia.com

Ruchi Hota
+91 70771 02900
ruchi.hota@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches