



## MRO-TEK Limited

Instrument	Amount (Rs crore)	Rating Action (July 2015)
Fund Based Facilities – Long Term	20.0	[ICRA]B+; revised from [ICRA]BB- (Stable)
Long-Term / Short-Term Unallocated Limits	10.0	[ICRA]B+; revised from [ICRA]BB- (Stable) / [ICRA]A4 Re-affirmed
<b>Total</b>	<b>30.0</b>	

ICRA has revised the long-term rating assigned to the Rs 20.0 crore\* fund based limits of MRO-TEK Limited (MRO-TEK / the company) from [ICRA]BB- (pronounced ICRA double B minus) to **[ICRA]B+** (pronounced ICRA B plus)†. ICRA has also revised the long-term rating assigned to the Rs 10.0 crore unallocated limits of the company from [ICRA]BB- to **[ICRA]B+**. ICRA has re-affirmed the short-term rating assigned to the Rs 10.0 unallocated limits at **[ICRA]A4** (pronounced ICRA A four).

The rating revision reflects MRO-TEK's weak financial performance as reflected by five successive years of net losses which has resulted in the erosion of the company's net worth. With the company's fixed costs remaining high vis-à-vis the turnover (employee expenses and other fixed operating costs have largely remained at the same level during the past three years), the company has continued to incur cash losses over the past three fiscals (FY 2013 to FY 2015). The gross margins in the solar segment have also been under pressure in FY 2015 due to the slowdown in the sector. While the asset backed loan availed provides some comfort in the near term liquidity position, the company's ability to generate cash accruals is critical to meet repayment obligations and rising working capital requirements. ICRA notes that the company is planning to raise funds through an additional asset backed loan, which can alleviate the stress on liquidity to some extent.

The ratings continue to favorably factor in MRO-TEK's long track record in the access networking equipment business. The company has established itself in the access networking industry as a designer and manufacturer of networking products with continued focus on R&D and strong after-sales support, which has helped in establishing long-term relationships with reputed clients such as Vodafone India Ltd. and Bharti Airtel Ltd. Moreover, the company has been able to successfully diversify its revenue streams by venturing into solar-based project equipment supplies, which contributed Rs. 15.21 crore to the topline in FY 2015 (27% of FY 2015 turnover). The company has a strong order book of around Rs 130.0 crore (Rs. 90.0 crore from the solar division and Rs. 40.0 crore from the networking and access division) as on March 31, 2015, which provides healthy revenue visibility in the near term.

Going forward, the company's ability to scale up its operations in the solar division and sustain the performance of the networking and access division, while optimizing its fixed costs so as to turn cash positive, will be the key rating sensitivities.

### Company Profile

MRO-TEK Limited, founded in 1984, is mainly engaged in the business of providing access networking and communication products, as well as solar-based equipments and integration services. The main products offered by the company in the former segment include modems, interface converters and multiplexers. Till FY 2009, more than 85% of the company's total turnover was contributed by manufacturing and distribution of products developed by certain overseas principal. Since FY 2010, however, the company has increased its focus on in-house developed products to reduce its dependence on the principal. As the gestation period of new telecommunications products is typically long, involving extensive testing at the customer end, the company's new product launches are yet to find adequate traction in the market. In FY 2013, MRO-TEK also ventured into the solar-based

\* 1 crore = 100 lakh = 10 million

† For a complete rating scale and definitions, please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications.



equipments arena to diversify its revenue stream. The company derived around 27% of its revenues from the solar business in FY 2015, and the same is expected to remain one of the major thrust areas for the company going forward.

#### **Recent Results**

For FY 2015, the company reported a net loss of Rs. 11.17 crore on an operating income (OI) of Rs. 56.16 crore, as against a net loss of Rs. 11.36 crore on an OI of Rs. 67.76 crore in FY 2014.

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*For further details please contact:*

Analyst Contacts:

**Mr. K. Ravichandran**, (Tel. No. +91-44-45964301)  
ravichandran@icraindia.com

Relationship Contacts:

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

1802, 18th Floor, Tower 3,  
Indiabulls Finance Centre,  
Senapati Bapat Marg,  
Elphinstone, Mumbai 400013,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: 989986490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-  
79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: 989986490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills  
Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500