

MPS Steels Private Limited

January 14, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	9.18	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)
Total Facilities	9.18 (Rs. Nine Crore and Eighteen Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 16, 2019, placed the rating(s) of MPS Steels Private Limited (MSPL) under the 'issuer not cooperating' category as MSPL had failed to provide information for monitoring of the rating. MSPL continues to be non-cooperative despite repeated requests for submission of information through phone calls and e-mails dated November 13, 2020 to November 26, 2020. 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.

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

Detailed description of the key rating drivers

The revision in the ratings assigned to the bank facilities of MPS Steels Private Limited (MSPL) continue to remain constrained by small scale of operations, decline in profitability margins, leveraged capital structure and weak debt coverage indicators, working capital intensive nature of operations, profit margins susceptible to price fluctuations, intense competition due to fragmented nature of industry. The rating, however continues to derive strength from long experience of the promoters of over two decades in similar business.

Key Rating Weaknesses

Small Scale of operations

The scale of operations of the company although improved stood small at Rs.39.89 crore in FY19 as compared to Rs.32.21 crore in FY18.

Decline in profitability margins

The profitability margins marked by PBILDT margin declined and stood at 4.50% in FY19 as compared to 9.38% in FY18. Further PAT margin stood negative at 2.43% in FY19 as compared to 2.43% in FY18 due to increase in the finance costs and decline in PBILDT in absolute terms.

Leveraged capital structure and weak debt coverage indicators

The capital structure of the company stood leveraged because of erosion of capital on account of accumulated losses incurred by the company.

The debt coverage indicators marked by TD/GCA and PBILDT/Interest coverage stood weak at 34.26 times and 1.19 times respectively in FY19 as compared to 6.98 times in FY18 due to low cash accruals and decline in PBILDT in absolute terms.

Working capital intensive nature of operations

The operating cycle of the company stood negative at 89 days in FY19 as compared to 109 days in FY18 due to the elongated creditor's period of 191 days as on March 31, 2019.

Profit margins susceptible to price fluctuations

MSPL has to purchase raw materials from the market and does not have any long term contracts for purchase of the same. The raw material is the major cost driver for MSPL and raw material prices are volatile in nature which are driven by the global prices and are also dominated by the demand supply scenario prevailing on a particular day. Hence, the profitability margin

sis susceptible to fluctuation in raw material prices and any adverse fluctuation in the prices can adversely affect the profitability margins of the firm.

Intense competition due to fragmented nature of industry

MSPL faces intense competition from various regional and unorganized players of steel industry. The spectrum of the industry is highly fragmented and competitive marked by presence of numerous players in India, in view of low entry barriers. Hence, the players in the industry (incl. MSPL) do not have pricing power and are exposed to competition induced pressures on profitability

Key Rating Strengths

Long experience of promoters of over two decades in similar business

The promoters of MSPL have over two decades of experience in similar business belonging to the Beepath Group.

Analytical Approach: Standalone

Applicable Criteria:

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

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

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

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

[Rating Methodology- Manufacturing sector](#)

About the Company

MPS Steels Private Limited (MSPL) was originally established as MPS Steels Castings Private Limited, part of the Paragon Steel Group. It had two divisions – castings and ingots. Subsequently in FY13, the ingot division was taken over by Bee Path group, whose promoters are Mr. Palakkandy UsmanKoya Moideenkoya, Mr. Mujeeb Rehman Charupadikkal and Mr. Palakkandy Hafeezula and thus MSPL was incorporated. The directors, Mr. Palakkandy UsmanKoya Moideenkoya and family, have been in the steel industry for close to two decades are involved in the day to day activities of the business of MSPL.

MSPL commenced its operations in May 2013 and is engaged in manufacturing MS ingots. The manufacturing unit is situated in Palakkad in 2.5 acres which has in-house warehouse to the extent of approx. 1 acre. MSPL is certified by ISO 9001:2008 and ISI certification for entire product range.

Brief Financials (Rs. crore)	FY18(A)	FY19 (A)
Total operating income	32.21	39.89
PBILDT	3.02	1.79
PAT	-0.68	-0.97
Overall gearing (times)	NM	NM
Interest coverage (times)	2.10	1.19

A: Audited, NM: Not meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (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-Term Loan	-	-	September, 2019	1.18	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	8.00	CARE B-; Stable; 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-Term Loan	LT	1.18	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (16-Dec-19)	1)CARE B+; Stable (04-Sep-18)	1)CARE B+; Stable (19-Feb-18)
2.	Fund-based - LT-Cash Credit	LT	8.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (16-Dec-19)	1)CARE B+; Stable (04-Sep-18)	1)CARE B+; Stable (19-Feb-18)

*Issuer did not cooperate; based on best available information

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this firm**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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