MSTC Limited

April 04, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	10.00	CARE BBB+; Stable	Reaffirmed
Short-term bank facilities	100.00	CARE A2	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of MSTC Limited (MSTC) continue to draw strength from the established position of the company in the e-commerce business leading to stable source of revenue from service income and Government of India's (GoI) controlling stake in the company. Ratings further draw strength from the high profitability margins in FY24 (period April 01 to March 31) and 9MFY25 and healthy capital structure and debt coverage indicators.

However, ratings continue to remain constrained by the elongated average collection period due to long-due receivables mainly from the trading business, high total outside liabilities as a proportion of tangible net worth (TOL/TNW) despite improvement in FY24, on-going litigations against the company, customer concentration and exposure to intense competition with tender-based nature of business in e-commerce.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in sales from the e-commerce segment.
- Significant improvement in collection period.
- Sustaining the improvement in profitability margins.
- Improvement in TOL/TNW below 2x.

Negative factors

- Moderation in operating profitability or significant write-offs considering long-due debtors.
- Increase in overall gearing beyond 0.75x.
- Any unfavourable outcome of the on-going litigations impacting the debt coverage indicators and profitability of the company.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that MSTC is expected to continue deriving advantage from its established position in the e-commerce business, especially for its government and Public Sector Undertaking (PSU) clientele which along with the favourable demand scenario should enable it to sustain healthy business risk profile over the medium term supported by a comfortable financial risk profile.

Detailed description of key rating drivers:

Key strengths

Long track record of the company with GoI's controlling stake and Mini Ratna I status

MSTC was set up in September 1964 for regulating export of ferrous scrap from India. Since 1991, MSTC has been in direct marketing of melting scrap, coke/coal, iron ore, and many other products. Over the years, it has added new products and services in its portfolio. MSTC is a Mini Ratna Category-I PSU of GoI, based in Kolkata. Although the government had reduced its stake to 64.75% through IPO of MSTC in March 2019, GoI continues to have a controlling stake in the company.

Shift in focus to e-commerce segment and significant reduction of trading business

MSTC earns stable service income through the e-commerce business. The direct trading sales and service income from trading through facilitator mode (majorly purchase of raw material for secondary steel producers and petrochemical industry) has been gradually reducing with shift in focus towards the e-commerce business. In the facilitator mode, MSTC only does order-backed

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

purchases and currently all contracts are backed by bank guarantee of 110% of the procurement value from the customer. The Total Operating Income (TOI) decreased by ~3% in FY24 due to decreased net revenue from trading segment. Service income from e-commerce segment grew marginally by 1% y-o-y to ₹364 crore in FY24 against ₹349 crore in FY23.
The company has been providing diversified e-commerce services mainly to government and PSU entities ranging from tendering, bidding, online platform for buy and sale, license auctions, scrap disposals, among others. The company is likely to benefit from the gradual shift to digital mode by GoI.

Healthy capital structure and improvement in TOL/TNW
Overall gearing ratio slightly improved from 0.24x as on March 31, 2023 to 0.22x on March 31, 2024. As the company has shifted its focus from trading business to e-commerce business, the requirement for working capital borrowings has reduced significantly. The outstanding debt of ₹145.00 crore reflects the amount accounted for sub-judice liability towards Standard Chartered Bank (SCB) and Indian Overseas Bank (IOB) and the company has repaid/surrendered all other debt. TOL/TNW improved to 2.53x as on March 31, 2024 against 3.59x as on March 31, 2023, though it still remained at a high level. The company has a significant amount of security deposits/deposits received from customers, against which there is a significant amount of cash also outstanding in the books.

Continued high profitability
With higher profitability in the e-commerce segment, the company continued to witness high PBILDT margin of 60.68% in FY24 (PY: 68.80%). The slight deterioration was because of higher employee costs. With higher deferred taxes, profit after tax (PAT) margin also deteriorated to 54.36% in FY24 (PY: 73.67%). In 9MFY25, the company posted PBILDT margin of 58.10% and PAT margin of 151.24%. The improvement in PAT was because of exceptional income of ₹274 crore from profit on sale of subsidiary Ferro Scrap Nigam Limited (₹304.19 crore) and expenditure towards provisions considering old arbitration awards (₹30.55 crore).

Key weaknesses

Elongated average collection period
The receivables reduced to ₹317 crore as on March 31, 2024, from ₹334 crore as on March 31, 2023. Average collection period decreased to 243 days (PY: 256 days) with the reduction in receivables. Despite reduction, the collection period remains high. However, a large part of receivables (mainly from the trading business) are either backed by 110% bank guarantees or backed by similar amount of creditors. As on September 30, 2024, the total receivables amounted to ~₹311 crore.

Customer concentration; despite reduced in past two years
No customer of MSTC in trading segment contributed over 10% of total revenue in FY23 and FY24 against one customer contributing ~21% of total revenue in FY22. The reduction of trading business has helped in reduction of the concentration. In the e-commerce segment, ~90% of the revenue is mainly earned from public sector enterprises. The company is looking at gradually increasing its business from the private sector.

Intense competition
Trading industry is highly fragmented with a few large PSUs and a large number of private players in the fray. Accordingly, the company faces intense competition, impacting its profitability. In the selling agency business, there is risk of the customer directly selling the product. In the e-commerce segment as well, it faces significant competition from other portals. The orders from government and PSU entities are procured through tendering process.

On-going litigations against the company
In FY09, MSTC exported gold jewellery worth ₹638.21 crore to customers based in UAE, Singapore, and Kuwait, through jewellery manufacturers/merchants based in Mumbai. Out of this, foreign export bills for ~₹184.66 crore were sold to Standard Chartered Bank (SCB) under factoring arrangement without recourse. The payments from Dubai-based customers were due in 2009 and the debtors did not honour the payment commitment despite having court judgements. Against the total amount of receivables purchased by SCB, a balance amount of ₹143.62 crore remained outstanding as on March 31, 2024. SCB had insured the total amount of receivables purchased by them with ICICI Lombard (ICICIL) in case of a default in payment by the debtors. However, SCB has raised claim from MSTC for the same. MSTC has shown liability in its books for ₹143.62 crore (as borrowings with corresponding receivables) and interest payable of ₹78.89 crore (as other financial liabilities) as on March 31, 2024. The matter is sub-judice in forums, including Bombay High Court, Civil court at Alipore Kolkata, and Debt Recovery Tribunal, Mumbai, and is contingent in nature, at this juncture. Any adverse outcome of the legal proceedings impacting the credit risk profile is a key rating sensitivity.

Liquidity: Adequate

The liquidity position of the company is adequate. The cash accruals are healthy and currently there are no debt repayment obligations. The company at present does not have sanctioned fund-based working capital limits or bank guarantees. It uses bank guarantees fully backed by fixed deposits for its requirements. It does not have significant capital expenditure plans.

Environment, social, and governance (ESG) risks

The company participates in initiatives towards addressing environmental issues, such as introducing scrappage policy. The company expended ₹3.78 crore for Corporate Social Responsibility (CSR) projects and initiatives in FY24. Its board composition is in line with the regulatory requirements.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Service Sector Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Wholesale Trading

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial services & supplies	Trading & distributors

MSTC, a Mini-Ratna Category-I PSU of GoI, was set up in September 1964 for regulating export of ferrous scrap from India. Currently, the company is under the Ministry of Steel, GoI and is engaged in trading of items and e-commerce services, e-auctions and e-procurement services.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	324.72	316.25	222.11
PBILDT	223.41	191.91	129.04
PAT	239.23	171.91	335.91
Overall gearing (times)	0.24	0.22	NA
Interest coverage (times)	1,534.40	395.76	716.88

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of facilities rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BBB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	100.00	CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - ST-BG/LC	ST	100.00	CARE A2	-	1)CARE A2 (22-Mar-24) 2)CARE A2 (07-Apr-23)	-	1)CARE A3+ (21-Mar-22)
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	-	-	-	-	-	1)Withdrawn (21-Mar-22)
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	-	-	-	-	-	1)Withdrawn (21-Mar-22)
4	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (22-Mar-24) 2)CARE BBB+; Stable (07-Apr-23)	-	1)CARE BBB; Stable (21-Mar-22)
5	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (07-Apr-23)	-	1)CARE BBB; Stable (21-Mar-22)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

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

Contact us

Media Contact	Analytical Contacts
Name: Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Name: Saikat Roy Senior Director **CARE Ratings Limited** Phone: + 91-22- 67543404 E-mail: saikat.roy@careedge.in	Name: Hardik Shah Director **CARE Ratings Limited** Phone: +91-22-6754 3591 E-mail: Hardik.shah@careedge.in Name: Richa Bagaria Associate Director **CARE Ratings Limited** Phone: +91-33-4018 1653 E-mail: richa.jain@careedge.in Name: Mayank Sourabh Lead Analyst **CARE Ratings Limited** E-mail: Mayank.Sourabh@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information, please visit www.careedge.in