

MMTC Limited
 January 17, 2020
Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities- CC	855.00	CARE BBB+ (Under Credit watch with Developing Implications)	Revised from CARE A- (Under Credit watch with Developing Implications)
Long term bank facilities- TL	200.00	CARE BBB+ (Under Credit watch with Developing Implications)	Revised from CARE A- (Under Credit watch with Developing Implications)
Short term Bank Facilities-WCDL	2500.00	CARE A3+ (Under credit watch with developing implications)	Revised from CARE A2+ (Under credit watch with developing implications)
Long term/ Short term Bank Facilities- LC/BG	5323.00	CARE BBB+/CARE A3+ (Under credit watch with developing implications)	Revised from CARE A-/CARE A2+ (Under credit watch with developing implications)
Total	8878.00 (Rupees Eight thousand eight hundred and seventy eight crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of MMTC Ltd take into account the delay in the envisaged fund infusion in its associate company, Neelachal Ispat Nigam Limited (NINL) by its other shareholders, namely National Mineral Development Corporation (NMDC) and Odisha Mining Corporation (OMC) which was expected by December 2019. Out of the total envisaged infusion of funds of ~Rs. 350 crore by the other two shareholders, only Rs. 60 crore is received in NINL from NMDC as on December 31, 2019. NINL's liquidity position, therefore continues to remain stretched and MMTC being the 'Managing Promoter' of NINL, as per the shareholders agreement, is responsible to provide continued financial and operational support to NINL which adversely impacts the financial profile of MMTC. The revision in the rating also factors in the financial support that MMTC has already provided to NINL & in view of the continued support that MMTC is expected to give in the medium term, the financial profile of MMTC (after considering the group exposure) remains susceptible to the weakness in the liquidity profile of NINL.

Further the revision in the rating also takes into account the devolvement of Letter of Credits (LC) of MMTC for less than 30 days in the month of December 2019. The devolvement of these LCs was on account of advance funds not received from Department of Fertilizers (Government of India).

The ratings continue to remain on credit watch with developing implications on account of the ongoing process of divestment of equity shareholding in NINL. MMTC holds 49.78% in NINL as on September 30, 2019. Further, CARE notes that the Cabinet Committee on Economic Affairs (CCEA) has given an 'in-principle' approval for strategic disinvestment of 100% equity of NINL in January 2020. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Detailed Description of the Key Rating Drivers

Out of the total envisaged infusion of funds of ~Rs. 350 crore by the other two shareholders, only Rs. 60 crore is received in NINL from NMDC as on December 31, 2019. The release of funds from OMC is expected post their Board Meeting scheduled in January 2020.

Further, as per the No default Statement (NDS) submitted by the company for the month ended December 31, 2019, there have been instances of devolvement of LCs for less than 30 days. As informed by the company management, MMTC imports Urea for the Department of Fertilizers and the LC's of MMTC are on back to back basis with Department of Fertilizers, Government of India and 98% of the LC value is paid by them as advance. However, due to the year-end considerations, the budget of Department of Fertilizers was completely exhausted and the money was not paid in advance for the LCs by the Government and thus resulting in devolvement of LC's on the due date which was settled by MMTC out of its own funds on December 30, 2019.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Analytical approach: Standalone along with factoring in the exposure towards NINL.

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[CARE's Rating Methodology – Wholesale Trading](#)

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

[CARE's methodology for Factoring Linkages in Ratings](#)

About the Company

MMTC, a public sector undertaking, was incorporated on September 26, 1963, to facilitate foreign trade in India and canalize the export and import of essential minerals and metals. It is under the administrative control of the Ministry of Commerce & Industry, and Government of India (GOI) held 89.93% stake in the company as on June 30, 2019. MMTC deals in multiple products and markets. The business operations of the company span across six major divisions i.e. minerals, metals, precious metals, agro products, fertilisers & chemicals and coal & hydrocarbons. MMTC has also set up a 15-MW wind energy mill in Karnataka. MMTC is one of the few agencies, apart from banks, permitted by the GOI for import of bullion in the country.

Neelachal Ispat Nigam Limited (NINL); associate company of MMTC was incorporated in 1982 to set-up an Integrated Steel Plant (ISP) to undertake the manufacture and sale of pig iron. Originally, the main promoters were Industrial Promotion & Investment Corporation of Orissa (IPICOL) and Orissa Sponge Iron Ltd (OSIL). Subsequently MMTC Limited, a majority owned undertaking of Govt. of India, was inducted as the main promoters since FY16 with equity share holding of 49.78%. Further, the Cabinet Committee on Economic Affairs (CCEA) gave 'in-principle' approval for strategic disinvestment of 100% equity of NINL on January 08, 2020 by selling the government's stake to a strategic buyer which would be identified through a two stage auction procedure.

The ratings have further been placed on credit watch with developing implications on account of the announcement by the company to divest its equity holding in NINL. CARE will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	16505.85	28991.37
PBILDT	83.04	194.92
PAT	48.84	81.43
Overall gearing (times)	0.36	0.62
Adjusted gearing (times)*	1.33	1.52
Interest coverage (times)	4.54	2.91

A: Audited

* Including Corporate Guarantee extended to NINL & without adjusting the investments and loans & advances made to NINL.

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer annexure II

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-Cash Credit	-	-	-	855.00	CARE BBB+ (Under Credit watch with Developing Implications)
Fund-based - ST-Working Capital Demand loan	-	-	-	2200.00	CARE A3+ (Under Credit watch with Developing Implications)
Non-fund-based - LT/ST-BG/LC	-	-	-	5323.00	CARE BBB+ / CARE A3+ (Under Credit watch with Developing Implications)
Fund-based - ST-Working Capital Demand loan	-	-	-	300.00	CARE A3+ (Under Credit watch with Developing Implications)
Fund-based - LT-Term Loan	-	-	September 2023	200.00	CARE BBB+ (Under Credit watch with Developing Implications)

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	855.00	CARE BBB+ (Under Credit watch with Developing Implications)	1)CARE A- (Under Credit watch with Developing Implications) (09-Oct-19)	1)CARE A; Stable (07-Jan-19)	1)CARE A; Stable (03-Jan-18)	1)CARE A; Stable (30-Jan-17)
2.	Fund-based - ST-Working Capital Demand loan	ST	2200.00	CARE A3+ (Under Credit watch with Developing Implications)	1)CARE A2+ (Under Credit watch with Developing Implications) (09-Oct-19)	1)CARE A1 (07-Jan-19)	1)CARE A1 (03-Jan-18)	1)CARE A1 (30-Jan-17)
3.	Non-fund-based - LT/ST-BG/LC	LT/ST	5323.00	CARE BBB+ / CARE A3+ (Under Credit watch with Developing Implications)	1)CARE A- / CARE A2+ (Under Credit watch with Developing Implications) (09-Oct-19)	1)CARE A; Stable / CARE A1 (07-Jan-19)	1)CARE A; Stable / CARE A1 (03-Jan-18)	1)CARE A; Stable / CARE A1 (30-Jan-17)
4.	Fund-based - ST-Working Capital Demand loan	ST	300.00	CARE A3+ (Under Credit watch with Developing Implications)	1)CARE A2+ (Under Credit watch with Developing Implications) (09-Oct-19)	1)CARE A1 (07-Jan-19)	1)CARE A1 (03-Jan-18)	1)CARE A1 (30-Jan-17)
5.	Fund-based - LT-Term Loan	LT	200.00	CARE BBB+ (Under Credit watch with Developing Implications)	1)CARE A- (Under Credit watch with Developing Implications) (09-Oct-19)	-	-	-

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:

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