

MPS Steels Private Limited

December 16, 2019

Rating

Facilities	Amount (Rs. Crore)	Rating ¹	Rating Action
Long-term Bank Facilities	9.18	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; Issuer Not Cooperating)	Issuer not cooperating; Revised from CARE B+; Stable (Single B Plus Outlook: Stable); Based on best available information
Total Facilities	9.18 (Rupees Nine Crore and Eighteen Lakh Only)		

Details of instruments/facilities in Annexure
Detailed Rationale & Key Rating Drivers

CARE has been seeking information from MPS Steels Private Limited (MPS) to monitor the rating vide e-mail communications/ letters dated November 12, 2019, November 14, 2019, November 15, 2019, November 18, 2019 and November 19, 2019 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. **In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating.** The rating on MPS Steels Private Limited bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING***

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

The ratings assigned to the bank facilities of MPS Steels Private Limited (MPS) continues to be tempered by leveraged capital structure and weak debt coverage indicators albeit marginal improvement, working capital nature of operations, profit margins susceptible to price fluctuations and intense competition due to fragmented nature of industry. The rating is, however, underpinned by long experience of promoters of over a decade in similar business, marginal improvement in total operating income along with reduced net loss and improved profitability margins.

Detailed description of the key rating drivers**Key Rating Weakness*****Leveraged capital structure and weak debt coverage indicators albeit marginal improvement***

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 PBILDT Interest coverage improved and stood at 2.10x in FY18 as against 0.61x in FY17. TC/GCA also improved to 6.98x in FY18. TC/CFO stood at 2.42x in FY18

Working capital nature of operations

The operating cycle of the company stood negative at 109 days in FY18 as against negative 38 days in FY17. The average inventory period and average collection period improved and stood at 36 days and 76 days in FY18, respectively, from 68 days and 121 days, respectively in FY17. The average creditor period remained elongated at 220 days in FY18.

Profit margins susceptible to price fluctuations

MPS 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 MPS 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 is 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

MPS 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. MPS) do not have pricing power and are exposed to competition induced pressures on profitability

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

*Issuer not cooperating; Based on best available information

Key Rating Strengths**Long experience of promoters of over a decade in similar business**

The promoters of MPS have over 2 decades of experience in similar business belonging to the Beepath Group.

Marginal improvement in total operating income along with reduced net loss

The total operating income of the company increased and stood at Rs.32.21 crore in FY18 as against Rs.27.26 crore in FY17. The net losses also reduced from Rs.2.72 crore in FY17 to 0.25 crore in FY18

Improved profitability margins

The PBILDT margin of the company improved and stood at 9.38% in FY18 when compared to 3.22% in FY17.

Analytical Approach: Standalone**Applicable Criteria:**

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

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

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

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

[Rating Methodology-Manufacturing Companies](#)

About the Company

MPS Steels Private Limited (MPS) 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 MPS was incorporated. MPS commenced its operations in May 2013 and is engaged in manufacturing MS ingots with an installed capacity of 15,000 MT per annum.

Brief Financials (Rs. crore)	FY17(A)	FY18(A)
Total operating income	27.26	32.21
PBILDT	0.88	3.02
PAT	-3.28	-0.68
Overall gearing (times)	NM	NM
Interest coverage (times)	0.61	2.10

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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	-	-	-	1.18	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	8.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information

*Issuer not cooperating; on the basis of 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 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-Term Loan	LT	1.18	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	-	1)CARE B+; Stable (04-Sep-18)	1)CARE B+; Stable (19-Feb-18)	1)CARE B+; Stable (21-Mar-17)
2.	Fund-based - LT-Cash Credit	LT	8.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	-	1)CARE B+; Stable (04-Sep-18)	1)CARE B+; Stable (19-Feb-18)	1)CARE B+; Stable (21-Mar-17)

*Issuer not cooperating; on the basis of best available information

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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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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