March 30, 2015

CARE REAFFIRMS RATINGS ASSIGNED TO THE BANK FACILITIES OF MSTC LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	500	**'CARE BBB' (Triple B)**	Reaffirmed
Short-term Bank Facilities	5,880	**'CARE A3+' (A Three Plus)**	Reaffirmed
Total Facilities	6,380		

Rating Rationale

The ratings continue to draw comfort from long & satisfactory track record of the company, Government of India's (GoI) controlling stake, strong distribution channels, increasing popularity of MSTC's e-commerce portals, favorable outcome of ongoing legal proceedings against gold purchasers & suppliers as well as progress made towards settlement of insurance claims and moderate financial position.

However, the ratings are constrained by inability of MSTC to recover significant amount of dues pertaining to export bill proceeds of gold jewellery transactions for a considerable time period, significant dependence on few large customers, intense competition, low operating margin and high collection period.

The ability of the company to recover overdue export proceeds and improvement in its profitability margins and capital structure amidst rising competition remain the key rating sensitivities.

Background

MSTC, a Mini-Ratna Category-I Public Sector Undertaking (PSU) of Government of India (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 various items in both the domestic and global markets. MSTC's operations are order driven and the items it trades in vary depending on the market requirements and opportunities.

In FY14 (refers to the period April 1 to March 31), the company primarily traded in coke/coal, Iron Ore, Chrome Ore, raw pet coke and Human Hair. MSTC also provides facilitator service through disposal of scrap & coal and importing products like HR coils, iron ore, coke/coal, copper, DRI, pellets, etc. for various customers, at a service charge. MSTC carries out its e-commerce business through its two internet based e-auction portals and e-procurement portals, which enables direct interaction between buyers and sellers and provides optimum inventory management for clients. After setting up these portals in 2002, MSTC enjoys first mover advantage in e-commerce. Over the years, these sales portals have grown considerably and a number of traders have registered with them.

During FY09, MSTC had exported about Rs.623.5 crore worth of gold jewellery to 46 Dubai/UAE based customers through six Mumbai based jewellery manufacturers/merchants. Till February, 2015, MTSC got 46 decrees in its favour from foreign courts along with arbitration award against three suppliers and favorable order from the Hon'ble Bombay High Court for sale/transfer of one of its supplier's mortgaged landed property.

MSTC reported net loss of Rs.70 crore on a total turnover of Rs.5330.3 crore in FY14 vis-a-vis PAT (after deferred tax) of Rs.130.73 crore on a total turnover of Rs.6,455.3 crore in FY13. The company made provisions of Rs.226.78 crore on account of receivables against gold jewellery transactions impacting financials in FY14. During the period April'14 – January'15, the company achieved PAT of Rs.60 crore on turnover of Rs.6184.92 crore.

Analyst Contact

Name: Mr Saurav Chatterjee
Tel: 033-4018 1629
Email: saurav.chatterjee@careratings.com

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

For detailed Rationale Report and subscription information, please contact us at www.careratings.com

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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra
Managing Director
Mobile: +91-98204 16002
E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi
Dy. Managing Director
Mobile: +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi
Vice President - Bank Loan & Instrument Rating
Mobile: +91-9819009839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Vice President - Bank Loan & Financial Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:
503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 94139 69100
Tel: +91-141-402 0213 / 14
E-mail: harshraj.sankhla@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

CIN - L67190MH1993PLC071691