APRIL 12, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF MSTC LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long Term Bank Facilities	900 [Enhanced from Rs.500 crore]	**CARE BBB (Triple B)**	Reaffirmed
Short Term Bank Facilities	5,480 (Reduced from 5,880)	**CARE A3+ (A Three Plus)**	Reaffirmed
Total Facilities	**6,380** **(Rupees Six Thousand Three Hundred and Eighty crore only)**		

Rating Rationale

The ratings assigned to the bank facilities of MSTC Limited (MSTC) continue to draw comfort from the long track record of the company, Government of India's (GoI) controlling stake, strong distribution channels, stable source of revenue from service income, moderate financial performance and favorable outcome of ongoing legal proceedings against gold purchasers & suppliers as well as progress made towards settlement of insurance claims.

However, the ratings are constrained by inability of MSTC to recover significant amount of dues pertaining to export bill proceeds of gold jewellery transaction 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. MSTC primarily operates in two segments – E-Commerce and Trading.

On total gross operating income of Rs.7,190.48 crore, MSTC reported PAT (after deferred tax) of Rs.90.99 crore in FY15 (refers to the period April 1 to March 31) vis-à-vis net loss of Rs.70.03 crore on total operating income of Rs.7,933.95 crore in FY14.

In 11MFY16, the company achieved net profit of Rs.35.49 crore on total operating income of Rs.3,805.60 crore.

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

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

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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