

McNally Bharat Engineering Co Ltd

September 06, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Non- Convertible Redeemable Preference Shares	43.50 (Rs Forty Three Crore and Fifty Lakh only)	CARE D (RPS); ISSUER NOT COOPERATING*	Issuer not cooperating; Based on best available information

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 13, 2018, placed the ratings of **McNally Bharat Engineering Co Ltd (MBEL)** under the 'issuer non-cooperating' category as MBEL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. MBEL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated August 05, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

Detailed description of the key rating drivers

At the time of last rating on March 13, 2018, the following were the rating strengths and weaknesses (updated for the information available from stock exchange):

Key Rating Weaknesses

Delays in debt servicing by the company: The liquidity position of the company remains stressed due to losses and stretched operating cycle. This has led to ongoing delays in servicing of debt obligations.

MBEL has high working capital requirement due to elongated operating cycle. The operating cycle has been stretched due to high collection period.

High overall gearing ratio: The capital structure of MBEL is highly leveraged due to erosion of networth resulting from continuing losses and high debt level.

Analytical approach: Standalone

Applicable Criteria

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

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

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

About the Company

MBEL, incorporated in 1961, based in Kolkata, is one of the established engineering turnkey project execution companies of India belonging to the B. M. Khaitan group. MBEL has completed more than 320 turnkey projects in different areas of its operations like bulk material handling, ash handling, port handling, mineral beneficiation plant, water management, road construction and maintenance, structural fabrication, erection, piping, utilities, etc.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)*
Total operating income	1588.71	1518.37
PBILDT	-17.14	-334.11
PAT	-425.45	-466.00
Overall gearing (times)	26.83	NM
Interest coverage (times)	-0.03	-0.91

A: Audited, NM: Not Meaningful

* Based on published results

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

*Issuer did not cooperate; Based on best available information

Status of non-cooperation with previous CRA: Brickwork ratings has revised the rating of MBEL to “Issuer not cooperating” vide press release dated October 04, 2018 on account of inadequate information and lack of management cooperation.

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
Preference Shares-Cumulative Redeemable Preference Shares	March 06, 2013	11.50	March 05, 2020	43.50	CARE D (RPS); ISSUER NOT COOPERATING* Issuer not cooperating; Based on 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.	Commercial Paper-CP/STD	ST	-	-	-	-	-	1)Withdrawn (14-Sep-16) 2)CARE A4+ (Under Credit Watch) (05-Apr-16)
2.	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (03-Apr-18)	1)CARE D; ISSUER NOT COOPERATING* (13-Mar-18)	1)CARE D (14-Sep-16) 2)CARE BB+ (Under Credit Watch) (05-Apr-16)
3.	Non-fund-based - LT-Bank Guarantees	LT	-	-	-	1)Withdrawn (03-Apr-18)	1)CARE D; ISSUER NOT COOPERATING* (13-Mar-18)	1)CARE D (14-Sep-16) 2)CARE BB+ (Under Credit Watch) (05-Apr-16)
4.	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)Withdrawn (03-Apr-18)	1)CARE D; ISSUER NOT COOPERATING* (13-Mar-18)	1)CARE D (14-Sep-16) 2)CARE A4+ (Under Credit Watch) (05-Apr-16)
5.	Term Loan-Long Term	LT	-	-	-	-	1)Withdrawn (13-Mar-18)	1)CARE D (14-Sep-16) 2)CARE BB+ (Under Credit Watch) (05-Apr-16)
6.	Preference Shares-Cumulative Redeemable Preference Shares	LT	43.50	CARE D (RPS); ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available	-	-	1)CARE D (RPS); ISSUER NOT COOPERATING* (13-Mar-18)	1)CARE D (RPS) (14-Sep-16) 2)CARE BB (RPS) (Under Credit Watch) (05-Apr-16)

				information				
7.	Term Loan-Long Term	LT	-	-	-	-	1)Withdrawn (13-Mar-18)	1)CARE D (14-Sep-16) 2)CARE BB+ (Under Credit Watch) (05-Apr-16)
8.	Fund-based - ST-Term loan	ST	-	-	-	-	1)Withdrawn (13-Mar-18)	1)CARE D (14-Sep-16) 2)CARE A4+ (Under Credit Watch) (05-Apr-16)
9.	Non-fund-based - LT/ ST-BG/LC	LT/ST	-	-	-	-	1)Withdrawn (13-Mar-18)	1)CARE D / CARE D (14-Sep-16) 2)CARE BB+ / CARE A4+ (Under Credit Watch) (05-Apr-16)

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.

Disclaimer

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