

Mcnally Bharat Engineering Company Limited

December 03, 2020

Ratings

Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Cumulative Redeemable Preference Shares	43.50	CARE D (RPS); ISSUER NOT COOPERATING* [Single D (Redeemable Preference Shares) ISSUER NOT COOPERATING*]	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated September 06, 2019, continued 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 dated August 17, 2020. 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 rating.

Detailed description of the key rating drivers

At the time of last rating on September 06, 2019, the following were the rating strengths and weaknesses (updated for the information available from stock exchange filings):

Key Rating Weaknesses

Delays in debt servicing by the company

The liquidity position of the company continues to be stressed due to losses incurred and stretched operating cycle. This has led to delays in servicing of debt obligations. 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 net worth resulting from continuing losses and high debt level.

Analytical approach: Standalone

Applicable Criteria

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

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

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

[Financial ratios - Non-financial sector](#)

[Rating Methodology – Construction sector](#)

About the Company

MBEL, incorporated in 1961, based in Kolkata, is engaged in engineering turnkey project execution. It belongs to the B. M. Khaitan group. MBEL has completed large number of 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. crores)	FY19 (A)	FY20 (A)*
Total operating income	1518.37	567.60
PBILDT	-334.11	-341.24
PAT	-466.00	-380.88
Overall gearing (times)	NM	NM
Interest coverage (times)	NM	NM

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

Status of non-cooperation with previous CRA: Brickwork Ratings has retained the status of “Issuer not co-operating” for ratings of MBEL vide press release dated September 18, 2020 as the Issuer did not cooperate.

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

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 5, 2020	43.50	CARE D (RPS); ISSUER NOT COOPERATING*

*Issuer did not cooperate; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (03-Apr-18)	1)CARE D; ISSUER NOT COOPERATING* (13-Mar-18)
2.	Non-fund-based - LT-Bank Guarantees	LT	-	-	-	-	1)Withdrawn (03-Apr-18)	1)CARE D; ISSUER NOT COOPERATING* (13-Mar-18)
3.	Non-fund-based - ST-Letter of credit	ST	-	-	-	-	1)Withdrawn (03-Apr-18)	1)CARE D; ISSUER NOT COOPERATING* (13-Mar-18)
4.	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (13-Mar-18)
5.	Preference Shares-Cumulative Redeemable Preference Shares	LT	43.50	CARE D (RPS); ISSUER NOT COOPERATING*	-	1)CARE D (RPS); ISSUER NOT COOPERATING* (06-Sep-19)	-	1)CARE D (RPS); ISSUER NOT COOPERATING* (13-Mar-18)
6.	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (13-Mar-18)
7.	Fund-based - ST-Term loan	ST	-	-	-	-	-	1)Withdrawn (13-Mar-18)
8.	Non-fund-based - LT/ ST-BG/LC	LT/ST	-	-	-	-	-	1)Withdrawn (13-Mar-18)

*Issuer did not cooperate; Based on best available information

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Preference Shares-Cumulative Redeemable Preference Shares	Highly Complex

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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