

MSTC/CS/SE/205

05<sup>th</sup> January, 2021

1. The Dy.Manager (Listing)  
BSE Limited  
PhirozeJeejeebhoy Towers,  
Dalal Street, Mumbai 400 023.  
(Scrip Code: 542597)
2. The Manager, Listing Department  
National Stock Exchange of India Limited  
Exchange Plaza, BandraKurla Complex  
Bandra (E), Mumbai 400 051  
(Scrip Code: MSTCLTD)

Dear Sir/Madam,

**Sub: Disclosure under Regulation 30 of SEBI (Listing Obligation & Disclosure requirements) Regulations 2015.**

Pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015 enclosed please find a copy of credit rating for bank facilities issued by CARE Ratings Limited in relation to various Bank facilities availed by the Company. The aforesaid report was received by us on 04th January, 2021. There is no change in the rating of the Company. The Rating committee of CARE Ratings Limited has given the following ratings to the Company:

Facilities	Amount (Rs. in Crore)	Ratings	Rating Action
Long Term Bank Facilities	620.00	CARE BBB; Stable (Triple B; Outlook; Stable)	Reaffirmed
Short Term Bank Facilities	4880.00	CARE A3+ (A Three Plus)	Reaffirmed
Total	5500.00(Rupees Five Thousand Five Hundred Crore Only)		

This is for your information and records.

Thanking you,

Yours faithfully,  
For MSTC Limited

(Ajay Kumar Rai)  
Company Secretary and Compliance Officer



Encl: as above

No. CARE/KRO/RL/2020-21/2242

**Shri Subrata Sarkar**

**Director**

**Metal Scrap Trading Corporation Limited (MSTC Limited)**

225C, A.J.C. Bose Road,

Kolkata

West Bengal 700020

January 04, 2021

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your Company for FY20 (Audited) and H1FY21 (Unaudited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	620.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	4,880.00	CARE A3+ (A Three Plus)	Reaffirmed
Total Facilities	5,500.00 (Rs. Five Thousand Five Hundred Crore Only)		

2. Refer **Annexure 1** for details of rated facilities.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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**CARE Ratings Ltd.**

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4018 1603

CIN-L67190MH1993PLC071691

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by January 05, 2021, we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the aforementioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. 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.

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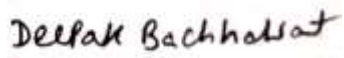
However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

8. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

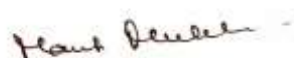
If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



**Deepak Bachhawat**  
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**Mamta Muklania**  
Associate Director  
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Encl.: As above

**Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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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**Annexure 1**  
**Details of Rated Facilities**

**1. Long Term Facilities**

**1.A. Fund Based Limits**

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Punjab National Bank	200.00	Cash Credit
2.	Union Bank of India	170.00	
3.	Indian Bank	150.00	
4.	Bank of India	100.00	
	<b>Total</b>	<b>620.00</b>	

**Total Long Term Facilities: Rs.620.00 crore**

**2. Short Term Facilities**

**2.A. Fund Based Limits**

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Union Bank of India	400.00	Bill Discounting (backed by Letter of Credit)
	<b>Total</b>	<b>400.00</b>	

**2.B. Fund Based Limits**

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Punjab National Bank	488.00	Bill Discounting (backed by Letter of Credit)
	<b>Total</b>	<b>488.00</b>	

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## 2.C. Non-Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Punjab National Bank	2,045.00	Letter of Credit/Bank Guarantee
2.	Indian Bank	900.00	
3.	Union Bank of India	400.00	
4.	Bank of India	230.00	
5.	Proposed	417.00	
	<b>Total</b>	<b>3,992.00</b>	

**Total Short Term Facilities: Rs.4,880.00 crore**

**Total Facilities (1.A+2.A+2.B+2.C): Rs.5,500.00 crore**

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**Annexure 2**  
**Press Release**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	620.00	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Short term bank facilities	4880.00	CARE A3+ (A Three Plus)	Reaffirmed
<b>Total Bank Facilities</b>	<b>5500.00</b> <b>(Rs. Five Thousand Five Hundred Crore only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale and Key Rating Drivers**

The ratings assigned to the bank facilities of MSTC Limited (MSTC) continue to draw strength from the long track record and established position of the company in e-commerce segment, Government of India's (GoI) controlling stake and stable source of revenue from service income. The ratings also factor in the improvement in profitability in FY20 (refers to the period April 1 to March 31), though operating income reduced due to gradual reduction in trading business and shift in focus to e-commerce segment. The capital structure also improved with reduction in trading sales.

The ratings also factor in the decrease in volume of business during H1FY21 (refers to the period April 1 to September 30) due to the impact of outbreak of Covid 19.

The ratings continue to be constrained by the on-going litigations against the company, high collection period, customer concentration and exposure to intense competition.

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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## Rating Sensitivities

### **Positive Sensitivities** - Factors that could lead to positive rating action/upgrade:

- Ability to retain existing customers and add new customers leading to increase in operating income.
- Sustaining improvement in profitability.
- Faster realisation of debtors resulting in improvement in operating cycle.

### **Negative Sensitivities**- Factors that could lead to negative rating action/downgrade:

- Moderation in operating profitability or significant write-offs on account of long-due debtors
- Increase in overall gearing beyond 2x
- Any adverse outcome of the on-going litigation impacting the coverage indicators and profitability

## Detailed description of the key rating drivers

### Key Rating Strengths

#### ***Long and satisfactory track record with Gol's controlling stake and Mini Ratna I status***

MSTC was set up in September, 1964 for regulating export of ferrous scrap from India. Since 1991, MSTC has been in direct marketing of melting scrap, coke/coal, iron ore and many other products. Over the years, it has added various new products and services in its portfolio. MSTC is a Mini Ratna Category-I PSU of Gol, based in Kolkata. Though, the government has reduced its stake to 64.75% through IPO of MSTC in March 2019, the controlling stake of Gol remains.

#### ***Stable source of revenue from service income***

MSTC earns stable service income through the e-commerce business and sales done through facilitator mode (majorly raw material for secondary steel producers and petrochemical industry). The income through service charges was lower at Rs.190.38 crore in FY20 vis-à-vis Rs.264.52 crore

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in FY19 on account of lower volume of trading business through facilitator mode. Further, the company has been gradually reducing its trading business and operating income is being driven by the e-commerce business.

***Improvement in profit levels in FY20, though operating income declined***

MSTC's total operating income decreased from Rs.2,961.94 crore in FY19 to Rs.886.07 crore in FY20 with sharp decline in trading sales and increased focus on e-commerce business.

The company had incurred loss in FY19 due to significant amount of provisions/write-offs of Rs.542.08 crore on long due receivables accounted for by the company. In FY20, the provisions/write-offs was substantially lower and accordingly PBILDT improved. Finance costs were also lower during the year with lower working capital borrowings due to reduced trading volumes. The company reported net profit of Rs.75.20 in FY20 crore as against net loss of Rs.324.47 crore in FY19.

The company reported net profit of Rs.34.24 crore on total operating income of Rs.164.92 crore in H1FY21 vis-à-vis net profit of Rs.49.58 crore on total operating income of Rs.571.22 crore in H1FY20. Operating income reduced mainly because of the Covid-19 induced lockdown and slowdown. The company has further reduced its sales from trading division.

***Improvement in leverage ratio with significant decrease in debt levels***

The total debt decreased significantly from Rs.2,753.76 crore as on March 31, 2018 to Rs.704.58 crore as on March 31, 2019 and further to Rs.280.04 as on March 31, 2020 on account of lower working capital utilisation and significant decrease in acceptances. The total debt further decreased and stood at Rs.158.33 crore as on September 30, 2020, a major part of which is the sub-judice liability of Standard Chartered Bank (SCB). The consistent decrease in working capital is on account of reduction in trading business.

The overall gearing improved significantly from 3.39x as on March 31, 2019 to 1.00x as on March 31, 2020 and further to 0.55x as on September 30, 2020 as a result of reduction in debt levels and increase in net worth.

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PBILDT interest coverage improved to 5.44x in FY20 as the company reported profit as compared to a loss in FY19.

### **Key Rating Weaknesses**

#### ***On-going litigations against the company***

During FY09, MSTC exported gold jewellery worth Rs.638.21 crore to 46 customers based in UAE Singapore and Kuwait through six jewellery manufacturers/merchants (called Associates) based in Mumbai. Out of this, foreign export bills for about Rs.184.66 crore were sold to SCB under factoring arrangement without recourse. The due date of payments from Dubai based customers was due in 2009 and the debtors didn't honor the payment commitment.

MSTC had filed legal suits aggregating Rs.658.40 crore in different forums against the 46 buyers. The company has got judgement in its favour for all the 46 cases and approached the appropriate courts for execution. However, no payment has been received so far.

Against the total amount of receivables purchased by SCB, a balance amount of Rs.143.62 crore remained outstanding as on March 31, 2020. SCB had insured the total amount of receivables purchased by them with ICICI Lombard (ICICIL) in case of a default in payment by the debtors. SCB had filed a suit against ICICIL in the Hon'ble Bombay High Court for payment of claim and has got ex-parte decree in its favour. ICICI Lombard subsequently had filed allowed a Notice of Motion setting aside the ex-parte decree. The matter is presently sub-judice.

MSTC has shown liability in its books for Rs.143.62 crore (as borrowings with corresponding debtors) and interest payable of Rs.78.89 crore (as other liabilities) as on March 31, 2020 (same as on March 31, 2019).

In FY19, DRT had ordered a payment of Rs.222.51 crore by MSTC to SCB and had also attached all immovable properties of MSTC. MSTC filed an appeal against the DRT order with Appellate tribunal (DRAT) and the said order was withdrawn and a review application was filed with DRT. On further rejection of review by DRT, MSTC filed a writ petition with Hon'ble High Court (HC), Mumbai. On May 3, 2019, HC quashed DRT's order and restored review application with DRT. SCB, then filed a

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Special Leave Petition with Hon'ble Supreme Court (SC) of India, seeking stay on HC order. The SC vide its order dated January 21, 2020 has set aside the order of the HC. The auction on October 10, 2019 was cancelled as there were no bidders. The next date for recovery proceedings was March 23, 2020. However, the proceedings did not happen due to lockdown in Mumbai on account of Covid-19 and the same has been deferred to January 06, 2021. Any adverse outcome of the legal proceedings impacting the debt coverage indicators is a key rating sensitivity.

#### ***Customer concentration***

The revenues of the company from trading line of business constituted 69% in FY20 vis-à-vis 88% in FY19. 2 customers of the segment contributed about 71% of total revenue in FY20 vis-à-vis 3 customers contributing about 88% in FY19.

Around 80%-90% of the revenue in the e-commerce segment is earned from the public sector enterprises.

#### ***High collection period***

The receivables decreased from Rs.1720 crore as at March 31, 2019 to Rs.1233.45 crore as at March 31, 2020. However, the average collection period increased significantly to 395 days in FY20 vis-a-vis 128 days in FY19 due to significant decrease in total income with lower business volumes in facilitator mode. Net receivables though decreased, remained high at Rs.920 crore as on September 30, 2020.

#### ***Intense competition***

Trading industry is highly fragmented with a few large PSUs and a large number of private players in the fray. Accordingly, the company faces intense competition which impacts its profitability. The company is now focusing on e-commerce segment wherein also it faces significant competition from other portals.

#### **Liquidity: Adequate**

The liquidity position of the company is adequate with low working capital utilisation in the last 12 months ended September 2020. Further, there was nil working capital utilisation from May 2020 to

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September 2020. The company has low quarterly debt obligations at Rs.1.25 crore and the cash accruals are likely to be sufficient to meet the same. It does not have significant plans for capital expenditure.

**Analytical approach:** Standalone

**Applicable Criteria**

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Criteria on assigning 'outlook and credit watch' to Credit Ratings

Rating Methodology - Service Sector Companies

Financial Ratios - Non Financial Sector

Liquidity Analysis of Non-financial sector entities

Rating Methodology- Wholesale Trading

**About the company**

MSTC, a Mini-Ratna Category-I Public Sector Undertaking (PSU) of 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 and e-commerce services viz. e-auctions and e-procurement services.

<b>Brief Financials (Rs. crore)</b>	<b>FY19 (A)</b>	<b>FY20 (A)</b>
Total operating income	2961.94	886.07
PBILDT	-210.39	153.64
PAT	-324.47	75.20
Overall gearing (times)	3.39	1.00
Interest coverage (times)	-3.28	5.44

*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

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**Covenants of the rated instrument / facilities** - Please refer Annexure-3

**Complexity level of various instruments** - Please refer 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
Non-fund-based - ST-BG/LC	-	-	-	3992.00	CARE A3+
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	400.00	CARE A3+
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	488.00	CARE A3+
Fund-based - LT-Cash Credit	-	-	-	620.00	CARE BBB; Stable

**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.	Non-fund-based - ST-BG/LC	ST	3992.00	CARE A3+	1)CARE A3+ (03-Apr-20)	1)CARE A3+ (03-Apr-19)	1)CARE A3+ (04-Apr-18)	1)CARE A3+ (26-Apr-17)
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	400.00	CARE A3+	1)CARE A3+ (03-Apr-20)	1)CARE A3+ (03-Apr-19)	1)CARE A3+ (04-Apr-18)	1)CARE A3+ (26-Apr-17)
3.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	488.00	CARE A3+	1)CARE A3+ (03-Apr-20)	1)CARE A3+ (03-Apr-19)	1)CARE A3+ (04-Apr-18)	1)CARE A3+ (26-Apr-17)
4.	Fund-based - LT-Cash Credit	LT	620.00	CARE BBB; Stable	1)CARE BBB; Stable (03-Apr-20)	1)CARE BBB; Stable (03-Apr-19)	1)CARE BBB; Stable (04-Apr-18)	1)CARE BBB; Stable (26-Apr-17)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - ST-Bills discounting/ Bills purchasing	Simple
3.	Non-fund-based - ST-BG/LC	Simple

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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-

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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**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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\*\* For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)

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