

Rating Rationale

MMS Steel & Power Pvt Ltd

23rd January 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of MMS Steel & Power Pvt Ltd (MSPL)

Particulars

Facility Rated	Amount # (Rs. Crs)	Tenure	Rating *
Fund Based Cash Credit	18.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable
Non-Fund Based Letter Of Credit Bank Guarantee	3.00 1.00	Short Term	BWR A4 (Pronounced BWR A Four)
Total	Rs. 22.00 Crores (Rupees Twenty Two Crores Only.)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure I provide bank – wise details of facilities

Rationale/ Description of Key Rating Drivers/ Rating Sensitivities

BWR has essentially relied upon the audited financials upto FY16, projected financials of FY17, publicly available information and information / clarifications provided by the company's management.

The ratings draw strength from the established track record of the company, experience of the promoters, fuel supply agreement of the Nagapattinam power plant with GAIL Ltd and Power Purchase Agreements (PPAs). The ratings are, however constrained by the decline in scale of operations, continuous decline in PLFs (plant load factor) of the gas based plants for the past three years, non operational 6.00 MW gas based power plant at Nallur, Tamil Nadu on account of non availability of fuel and subdued performance of the gas based power generation plants all over India. The ratings are also impacted by the weak debt servicing metrics and working capital intensive operations.

Going forward, the ability of the company to increase its scale of operations, improve its overall credit risk profile, ensure optimum utilization of its gas based power plants and manage its working capital effectively would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **MMS Steel & Power Pvt Ltd's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

MSPL is a private limited company established in January 2002 at Nagapattinam, Tamil Nadu and is a part of Hyderabad based "KVK" group. MSPL is a SPV of "KVK Energy & Infrastructure Private Ltd" set up for generating gas based power and wind mill based power and supplying to its captive entities. MSPL has a 21.40 MW gas based power plant located at Nagapattinam, 6.62 MW gas based power plant located at Nallur, Tamil Nadu and 1.50 MW wind power plant located at Nagapattinam district, Tamil Nadu. Presently the 6.62 MW gas based power plant located at Nallur, Tamil Nadu is not operational because of non availability of fuel from ONGC and GAIL and is expected to commence operations in March 2017. Plant Load Factors (PLFs) of the 21.40 MW gas based power plant and 1.50 MW wind based power plant were 39.18 % and 21.00 % respectively for FY16.

Company Financial Performance

Net revenue for FY16 declined to Rs. 35.57 Crs compared to Rs. 59.67 Crs in FY15 on account of the non operational gas based power plant and decrease in PLF of the other. Net loss of the company in FY16 was Rs. 0.56 Crs compared to PAT of Rs. 4.50 Crs in FY15. On a provisional basis, MSPL reported 9MFY17 net revenue of around Rs. 18.00 Crs.

Rating History for the last three years:

Sl. No.	Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	2016	2015	2014
1	Cash Credit	Long Term	18.00	BWR BB-	Nil	Nil	Nil
2	LC	Short Term	3.00	BWR A4	Nil	Nil	Nil
3	BG	Short Term	1.00	BWR A4	Nil	Nil	Nil

Status of non-cooperation with previous CRA (if applicable):

India Ratings and Research Private Limited has withdrawn the ratings of the bank loan facilities of the company in December 2016 due to lack of adequate information.

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

Analytical Contacts	Media
Rajee R GM – Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.



Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA& the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

MMS Steel & Power Pvt Ltd

Bank Facilities
Annexure I

Type of Facility		Bank : State Bank Of India (Rs. Crs)
Fund Based	Cash Credit	18.00
Non Fund Based	Letter Of Credit	3.00
	Bank Guarantee	1.00
Total (Twenty Two Crores Only)		22.00