

Brickwork Ratings revises the ratings for the long term Secured Non-Convertible Debenture issue of Rs. 750 Crore of Monnet Ispat & Energy Ltd. to 'BWR BBB' from 'BWR AA-'

Monnet Ispat & Energy Ltd (MIEL) is the flagship company of the diversified Monnet Group. MIEL is a vertically integrated mining, steel, and power production company with a 15 year track record in India. Mr. Sandeep Jajodia is the Chairman and MD of the Company.

Brickwork Ratings (BWR) has revised the Ratings of the Secured Non-Convertible Debenture issue of Rs 750 Crores of Monnet Ispat & Energy Ltd from BWR AA- (Stable) to BWR BBB (Negative) based on MIEL's audited financial performance up to the financial year ending 31st March 2014, unaudited results up to Sep 2014, projected financials, and information and clarification provided by the company.

The rating has, inter alia, factored the Company's track record, diversified product portfolio, completion of its expansion plan and strong management. The rating is however constrained by the consistent reduction in profitability, huge increase in financial cost resulting stress in liquidity, weak coverage ratios, probable deterioration in financials in the near term due to recent verdict of Hon'ble Supreme court on coal de-allocation , declining sales realization in the industry , volatility in prices of raw material, execution risks associated with its planned capital expenditure both in the company and its subsidiaries and exchange rate fluctuation risk. The Outlook, too, remains Negative in view of the declining profitability, weakening debt protection metrics and uncertainty regarding coal procurement for the Company. Company's ability to increase the revenue and profitability levels amidst challenging industry environment post de-allocation of coal mines, manage the financial cost effectively, generate adequate returns from the investments in subsidiaries and sustain the capital structure and debt servicing metrics in view of the large debt levels, manage volatility in raw material prices and exchange rates would be key rating sensitivities.

Date: 24/11/2014

Place: Mumbai