



Rating Rationale

Monnet Ispat & Energy Limited (MIEL)

14 Nov 2018

Brickwork Ratings has reviewed the ratings for the Listed Rated Secured Redeemable Non-Convertible Debentures (NCDs) of Monnet Ispat & Energy Limited ('MIEL' or 'the Company'), based on best available information, as the issuer did not cooperate. Accordingly the rating for the NCDs of Rs 750.00 Crs has been reaffirmed at BWR D and migrated to the ISSUER NOT COOPERATING* category

Particulars

Instrument	Amount (Rs Crs)		Tenure	Rating ¹	
	Previous	Present		Previous (13-Nov-2017)	Present Rating
Listed Rated Secured Redeemable NCDs	750.00	750.00	Upto 10 years	BWR D (Pronounced as BWR D)	BWR D (Pronounced as BWR D) ISSUER NOT COOPERATING* Reaffirmed & Migrated to Issuer Not Cooperating category
Total	750.00	750.00	Rupees Seven Hundred and Fifty Crores Only		

* Issuer did not cooperate; Based on best available information

¹ Please refer to BWR website www.brickworkratings.com for definition of the ratings assigned.

Note: The ISIN details could not be confirmed for the above rated issued NCDs.

Rating reaffirmed and migrated to ISSUER NOT COOPERATING* category for NCDs of Rs 750.00 Crs.

The rating reaffirmation continues to factor the Company's continuous deterioration in the operational & financial performance of the Company and erosion of net worth over last four years. MIEL had defaulted on the coupon servicing for the said rated NCDs and an insolvency resolution process with effect from 18th July 2017 was initiated based on the orders of the National Company Law Tribunal (NCLT).

Monnet Ispat & Energy Ltd was one of the 12 defaulting companies prioritized by the RBI for proceedings under the Insolvency and Bankruptcy Code (IBC). Following the insolvency proceedings, AION-JSW consortium has acquired the Company.

For the interest payment due on 30-Oct-2018 in respect of the rated NCDs, the Company has informed that NCLT vide its order dated 24th July 2018 has approved Resolution Plan submitted by AION JSW Consortium (AION Investments Private II Limited and JSW Steel Limited), after necessary approval by



the Committee of Creditor (COC) including Debenture Holders. Further, the control of the Company has been taken over by the new management i.e. AION JSW Consortium.

As per email communication sent by the Company to the Debenture Trustee on 30-oct-2018, the new management has made full and final payment of all the Debenture holders including ISIN of NCDs (INE743C07036 and INE743C07044) due for redemption as per Hon'able Court Order under IBC Code, 2016 and there is no outstanding payment of any NCDs Holder of the Company as on date.

The No dues certificate (NDC) from LIC & The Jammu & Kashmir Bank Ltd has been received, however, the NDC of Central Bank of India is still awaited. Also, the Debenture Trustee has not released the charge on the Company's assets. In the opinion of Brickwork Ratings, the withdrawal of the outstanding rating shall be taken up on receipt of NDCs from all the debenture holders. Also, the ISIN details for the said rated NCDs are yet to be confirmed, due to lack of complete information regarding the rated NCD issue details.

Nature of Non Cooperation:

The rating was due for review in Sep 2017 and due to lack of management cooperation, the O/S rating was shifted to "Rating Not Reviewed" category on 18-Sep-2017. The O/S rating of BWR D was reaffirmed on 13-Nov-2018, based on publicly available information related to initiation of an insolvency resolution process with effect from 18th July 2017, in view of the orders of the National Company Law Tribunal (NCLT).

Brickwork Ratings took up with the issuer to provide required information over emails and through telephone communication. Despite clear obligations as per the Rating Contract/Agreement and the best efforts of Brickwork Ratings to get at least the minimum required information for a review, the Company did not provide the same. In the absence of adequate information from the issuer and continued lack of management cooperation, Brickwork Ratings is unable to assess the issuer's financial performance and its ability to service its debt and maintain a valid rating. Based on inadequate information and lack of management cooperation, Brickwork Ratings has reaffirmed the rating at BWR D and migrated it to the ISSUER NOT COOPERATING* category for the NCDs of Rs 750.00 Crs.

Limitations of the ratings:

Information availability risk is a key factor in the assessment of credit risk as generally non-cooperation by the rated entities to provide required information for a review of the assigned ratings may also be accompanied by financial stress. Users of the credit ratings should therefore take into account the possible deterioration in the credit quality of the rated entity arising from its non-transparency and withholding of information required for a review of the ratings.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



About the Company

Monnet Ispat and Energy Limited is engaged in the business of conducting coal mining operations and manufacturing coal-based sponge iron and various other steel/iron-based products. The Company operates through three segments: Iron & Steel, Power and Others.

Financial Performance

At standalone level, MEIL's total operating income improved to Rs 1383.26 Crs in FY18 as against Rs 1238.02 Crs in FY17. The Company has been incurring losses over last four years. MIEL's net losses increased to Rs 3249.30 Crs in FY18 as against net losses of Rs 1900.96 Crs in FY17. The Company's performance declined drastically soon after the Supreme Court de-allocated coal blocks in 2014. The Company has reported a net loss of Rs 3249.30 crore for 1HFY19 (Limited Review Financials), due to impairment of value of its assets. Its net loss has widened sharply because of an exceptional item of Rs 2772.81 Crs on account of impairment of value of its assets. Total debt stood at Rs 5303.99 Crs as on March 31, 2018 (Audited). Tangible net worth eroded further and stood at Rs (3077.69) Crs as on March 31, 2018, due to continuous losses. The Company is highly leveraged and had faced severe financial & liquidity crunch on account of slowdown in the steel sector owing to the drop in commodity prices, deallocation of its captive coal mines and huge steel imports from China. The Key Financial indicators are summarized in Annexure I.

At consolidated level, MEIL's total operating income improved to Rs 1383.26 Crs in FY18 as against Rs 1238.02 Crs in FY17. MIEL's net losses reduced to Rs 1759.29 Crs in FY18 as against net losses of Rs 2132.32 Crs in FY17. Total debt stood at Rs 5390.84 Crs as on March 31, 2018 (Audited). Tangible net worth eroded further and stood at Rs (3435.40) Crs as on March 31, 2018, due to continuous losses.

Status of non-cooperation with other CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for the last three years

Sl. No.	Instrument/Facility	Current Rating (201)			Rating History		
		Tenure	Amount (Rs Crs)	Rating recommendation	13-Nov-2017 [^]	18-Sep-2017 [^]	15-Sep-2016 [^]
1	Secured Listed Redeemable NCD issue	Upto 10 Years	750.00	BWR D (Pronounced as BWR D) ISSUER NOT COOPERATING* Reaffirmed & Migrated to Issuer Not Cooperated category	BWR D Reaffirmed	Rating Not Reviewed	BWR D Reaffirmed
	Total		750.00	INR Seven Hundred and Fifty Crores Only			

[^] Amount rated: Rs 750.00 Crs

*Issuer did not cooperate; Based on best available information



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Default Recognition and Post Default Curing Period](#)
- [What Constitutes Non-Cooperation](#)

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Monnet Ispat & Energy Limited (MEIL)
Annexure I
Key Financial Parameters (Standalone)

Particulars	31/Mar/2017	31/Mar/2018
Result Type	Audited	Audited
Total Operating Income (Rs Crs)	1383.26	852.77
EBITDA (Rs Crs)	60.70	21.37
PAT (Rs Crs)	-1900.96	-3249.30
Tangible Net Worth (Rs Crs)	-1145.89	-3077.69
Total Debt/TNW (Times)	-5.73	-1.72
Current ratio (Times)	0.27	0.17

For print and digital media

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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