



Press Release

Modern India Con-Cast Limited

July 07, 2022

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	160.00	Provisional IVR BBB (CE); Stable* (Provisional IVR Triple B [Credit Enhancement] with Stable Outlook)	Assigned	Complex
Short Term Bank Facilities	40.00	Provisional IVR A3+(CE)* (Provisional IVR A Three Plus [Credit Enhancement])	Assigned	Complex
	200.00 (Rupees Two Hundred crore)			

** Provisional CE rating is backed by proposed irrevocable and unconditional corporate guarantee from Kashvi Power & Steel Private Limited*

Unsupported Rating¹	IVR B+; Stable (IVR Single B Plus with Stable Outlook)
Rating in the absence of the pending steps/documents²	IVR B+; Stable (IVR Single B Plus with Stable Outlook)

Note: Unsupported Rating does not factor in the explicit credit enhancement

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the proposed bank facilities of Modern India Con-Cast Limited (MICL) derives comfort from its experienced promoters and proposed corporate guarantee from Kashvi Power & Steel Private Limited (KPSPL). This proposed corporate guarantee results in credit enhancement in the rating of the said bank facilities to Provisional IVR BBB (CE); Stable*(Provisional IVR Triple B [Credit Enhancement] with Stable Outlook) and Provisional IVR A3+(CE)* (Provisional IVR A Three Plus [Credit Enhancement]) against the unsupported rating of **IVR B+; Stable (IVR Single B Plus with Stable Outlook)**. Further, the ratings also derive strength from satisfactory credit profile of the proposed corporate guarantor, experienced promoter, ownership of mine by group company indicating strong backward

¹ As stipulated vide SEBI circular no. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019

² As stipulated vide SEBI circular no. SEBI/ HO/ MIRSD/ MIRSD_CRADT/ P/ CIR/ 2021/ 554 dated April 27, 2021



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integration and locational advantage. However, these rating strengths are constrained due to volatility in the prices of raw materials and finished goods, exposure to stabilization risk, exposure to cyclicity in the ferro alloy industry and high competition.

Further, the rating assigned to above-mentioned bank facilities are provisional and will be confirmed once the company submits all the documents/ completes all the steps mentioned below to the satisfaction of Infomerics:

- a) Sanction of bank facilities for MICL
- b) Submission of executed Corporate Guarantee deed.

Key Rating Sensitivities:

Upward Factors

- Initiation of production without time overrun.
- Steady growth in scale of operations with achievement of profitability and cash accruals as envisaged
- Improvement in the credit profile of the proposed corporate guarantor

Downward Factors

- Delayed commencement of manufacturing operation leading to moderation in envisaged revenue and profitability
- Moderation in the credit profile of the proposed corporate guarantor

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoter**

The promoter, Mr. Debabrata Behera (Director, aged about 50 years), is a first-generation entrepreneur and has more than two and half decades of experience in the business of iron ore trading/exporting, manufacturing of sponge iron, billet and ingots. Before incorporating KPSPL, Mr. Behera started his career with Orissa Sponge Iron Ltd in 1991 and worked in various companies in various capacities. Mr. Behera received best "ENTREPRENEUR" award from Govt. of Odisha in 2012. He looks after the day-to-day operations of the company. Long experience of the promoter supports the business risk profile of the company.

- **Ownership of mine by group company indicating strong backward integration**



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Kashvi International Pvt Ltd., a group company of KPSPL has acquired an iron-ore mining lease in Jaribahal iron ore block during FY20 through mining auction from the Government of Odisha. The acquired lease is for 50 years. The mine is spread over an area of 106.53 ha, and has an estimated iron ore reserve of 7.15 MT. Further, its sister concern, M/s D.B. Mines, has also owned another mine, namely Siljora-Kalimati Manganese & Iron Mine, in Odisha. Having own mines strengthens the business risk profile of the Kashvi group to a large extent.

- **Locational advantage**

The manufacturing facilities of MICL is located in Bishnupur and Haldia in West Bengal. The units are surrounded by coal mines and other raw material mines are also nearby with well connectivity by rail, road and shipping (Haldia) lines. Accordingly, proximity to the source of raw materials & end user market provides a competitive edge.

- **Proposed corporate guarantee from KPSPL**

KPSPL has proposed to extend a corporate guarantee to the extent of bank facilities proposed to avail by MICL. KPSPL (rated: "IVR BBB; Stable/IVR A3+") has a strong financial profile and is engaged in iron ore trading business in Odisha. Going forward, Infomerics believes need based financial support will also be extended by the corporate guarantor, in case of pressure on cash flows.

Key Rating Weaknesses:

- **Volatility in the prices of raw materials and finished goods**

The price of manganese ore has seen a lot of volatility over the last years this may result in drop EBIDTA margin going forward.

- **Stabilization risk**

Modern India Con-Cast Limited, under current promoter, has taken a modernization and upgradation project of the plants with a total project cost of ~Rs.212 crore in the view of forward integration, as the current promoters has bagged SILJORA KALIMATI Manganese & Iron Ore Mine at Keonjhar district in Odisha for a 50 years lease. The total project cost will be financed by equity of Rs.38.51 crore, unsecured loan from promoters of Rs.73.70 crore and term loan from bank of Rs.100.00 crore. As on May 31, 2022, the promoters have incurred Rs.173.30 crore for acquisition of the company and some other pre operative expenses, which was financed through promoters infusion and unsecured loan. The project is expected to be completed by August 2022.



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- **Cyclicality in the ferro alloy industry and high competition**

MICL is in manufacturing of ferro manganese in the state of West Bengal and such industry faces stiff competition from not only established players, but also from the unorganised sector due to low level of product differentiation. As this sector is largely dependent on Steel industry, the cyclicity of the user industry is likely to impact the cash flows of the players, including MICL. The steel industry, being cyclical in nature, witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices.

Analytical Approach:

Credit Enhancement (CE) rating: Assessment of the credit profile of [Kashvi Power & Steel Private Limited \(KPSPL\)](#), provider of proposed corporate guarantee to MICL.

Unsupported rating: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Rating Methodology for Structure Debt Transaction \(Non-Securitisation Transaction\)](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Policy on Provisional Ratings](#)

Liquidity – Adequate

The liquidity is expected to remain adequate marked by resourcefulness of the promoters and support for other group companies. Further, the company is expected to earn a gross cash accrual in the range of ~Rs.19-102 crore during FY24-FY26 and which would be sufficient to meet its debt repayment obligations in the range of Rs.26 to Rs.48 crore during FY24-FY26.

Validity of the Provisional Rating:

The provisional rating shall be converted into a final rating after receipt of the duly executed transaction documents/ completion of the steps mentioned above within 90 days from the date of issuance of the instrument/ bank facilities. An extension of further 90 days may be granted on a case-to-case basis in line with Infomerics' Policy on Provisional Ratings.

Risks associated with provisional nature of credit rating:

When a rating is assigned to debt instruments pending execution of certain crucial documents/ steps to be taken, the rating is a 'Provisional' rating and is indicated as such by prefixing 'Provisional' before the rating symbol. Once the steps/actions are completed/ the required documentation is executed to the satisfaction of Infomerics, the provisional rating is converted



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into final rating by Infomerics. In absence of receipt of documents/ completion of steps or where such documents deviate significantly from that considered by Infomerics earlier, the provisional rating will be reviewed in line with the Policy on Provisional Ratings.

About the Company (MICL)

Modern India Con-Cast Limited (MICL) was incorporated in April 1987. MICL, earlier was a part of Modern India Group of Kolkata and same was acquired by Bhubaneshwar based Kashvi Power & Steel Private Limited (KPSPL), a part of Kashvi group promoted by Mr. Debabrata Behera in September 2021 through bidding process of Insolvency and Bankruptcy Board of India (IBBI) at a total bidding amount of Rs.166.11 crore. The company was in manufacturing of silicomanganese and ferromanganese since 2004 and has two manufacturing units in Bishnupur and Haldia with installed capacity of 75000 MTPA and 1,00,000 MTPA respectively. However, both the units are in shutdown since May 2019.

The current promoter, Mr. Debabrata Behera, has bagged SILJORA KALIMATI Manganese & Iron Ore Mine at Keonjhar district in Odisha for a 50 years lease through his proprietorship firm M/s Debabrata Behera. The mine has total resources quantity of 3.79 Million Ton of Manganese and 0.72 Million Ton of Iron ore. In view of forward integration, the promoter has bought the manufacturing facilities of MICL through KPSPL and has initiated a modernization and upgradation project with a total project cost of Rs.212 crore. Both MICL and KPSPL are managed by the common promoters.

About the Corporate Guarantor (KPSPL)

(KPSPL) was incorporated in November, 2009 by one Mr. Debabrata Behera of Keonjhar, Orissa. Since inception, KPSPL is engaged in trading/exporting of iron ore fines. It purchases iron ore fines locally (from Orissa) and sells it to domestic as well as foreign customers (mainly in China). The company has been allotted plots at Paradip Port (mechanical + manual) for carrying out export activities. The company is engaged in these activities since 2010. To diversify its business, the company has started a shopping cum entertainment mall – Kashvi Taj Mall in Keonjhar, Orissa, which was opened to public in May 2016.

Mr. Debabrata Behera of Keonjhar district, Orissa, along with Ms. Susmita Behera are the promoter directors of the company. Mr. Debabrata Behera has been actively involved in the iron and steel sector from last 25 years through various companies under its fold. Mr. Debabrata is at the helms of affairs of the company.



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Financials (Standalone): MICL is in project stage with operations to start from September 2022 tentatively.

Financials of the Corporate Guarantor: KPSPL (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	838.86	1217.73
EBITDA	26.83	54.49
PAT	11.84	33.57
Total Debt	42.06	86.02
Tangible Net worth	53.88	148.39
EBITDA Margin (%)	3.20	4.47
PAT Margin (%)	1.41	2.75
Overall Gearing Ratio (x)	1.11	0.58

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: The rating was maintained under Issuer Not Cooperating category by CRISIL vide its press release dated September 20, 2021, based on best available information due to non-cooperation.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term loan (proposed)	Long Term	100.00	Provisional IVR BBB (CE); Stable*	-	-	-
2.	Cash Credit (Proposed)	Long Term	60.00	Provisional IVR BBB (CE); Stable*	-	-	-
3.	BG (proposed)	Short Term	40.00	Provisional IVR A3+(CE)*	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long term fund based -Term loan (proposed)	-	-	-	100.00	Provisional IVR BBB (CE); Stable*
Long term fund based -Cash Credit (proposed)	-	-	-	60.00	Provisional IVR BBB (CE); Stable*
Long term Non-fund based -BG (proposed)	-	-	-	40.00	Provisional IVR A3+(CE)*

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Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Modern-India-july22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.