

Press Release

KALISMA STEEL PRIVATE LIMITED

December 18, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 40.00 crore bank facilities of KALISMA STEEL PRIVATE LIMITED. The outlook is '**Stable**'.

Kalisma Steel Private Limited (KSPL), incorporated in 2011 commenced commercial operations from June, 2014. The company has set up a unit of 24,000 MTPA (bolts/ screws), 6,000 MTPA (nuts) and 50,000 MTPA capacity (drawn wires) to manufacture alloy steel fasteners at Wada (Thane District), Maharashtra. The plant will be carrying out end-to-end processing from manufacturing (rod processing) to surface finishing and even tool repairs to ensure total control.

Key Rating Drivers

Strengths

- **Experienced management**

The company was promoted by Mr. Rahul Suri (Managing Director and Chief Executive Officer) who possesses around two decades of experience in the said line of business. Mr Suri was instrumental in setting up a manufacturing plant of capacity 48,000 MTPA for steel wires and 72,000 MTPA for steel fasteners for Viraj Profiles Ltd, a group company.

- **Equity infusion by promoters**

The net worth of the company stood at Rs.125.70 as on 31 March, 2017 up from Rs. 85.99 crore as on 31 March, 2016. The net worth mainly comprises Rs. 91.34 crore of equity capital and Rs.35.98 crore of share application money. Also, unsecured loan from promoters stood at Rs. 50.84 crore as on 31 March, 2017 with no interest or scheduled repayment.

- **Healthy revenue growth, comfortable financial risk profile**

The company reported revenue of Rs. 257.21 crore, an increase of 37.56 percent in FY2017 on the back of strong growth in volumes. The company registered operating margins of 11.43 percent in FY2017 compared to 11.33 percent in FY2016. The net margins improved to 1.45 percent in FY2017. The financial risk profile improved with debt of Rs.160.59 crore as on 31 March, 2017 compared to Rs.130.20 crore as on 31 March, 2016. The gearing stood at 1.28 times as on 31 March, 2017. The Interest coverage also improved to 2.02 times ending FY2017. The net worth stood at Rs.125.70 crore while the TOL/TNW stood at 2.00 times as on 31 March, 2017.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive with GCA of around 276 days as on 31 March, 2017. This is mainly on account of high inventory of 156 days as on 31 March, 2017 as the company requires a wide range of raw materials for production. The working capital cycle is supported well. The company receives extended credit period from suppliers and offers similar benefits to its customers.

• Competitive and fragmented industry

The company faces intense competition from the organised and unorganised players in the auto ancillary industry. SMERA believes that the company's ability to add new customers would be a key factor for supporting revenues in the medium term.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of KSPL to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook of KSPL will remain stable over the medium term on account of its healthy revenue visibility. The outlook may be revised to Positive if the company is able to increase scale of operations while maintaining healthy profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in the scale of operations resulting in a fall in revenues affecting margins and liquidity.

About the Project

Not Applicable

About the Group

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	257.21	186.98	88.07
EBITDA	Rs. Cr.	29.40	21.19	13.56
PAT	Rs. Cr.	3.72	-2.40	-2.72
EBITDA Margin	(%)	11.43	11.33	15.40
PAT Margin	(%)	1.45	-1.29	-3.08
ROCE	(%)	8.27	6.72	8.66
Total Debt/Tangible Net Worth	Times	1.28	1.51	1.14
PBDIT/Interest	Times	2.02	1.76	1.76
Total Debt/PBDIT	Times	5.40	6.01	7.34
Gross Current Assets (Days)	Days	276	289	318

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA A3

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ABOUT SMERA

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