

Press Release

Kalisma Steel Private Limited

December 14, 2018

Rating Downgraded



| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs. 159.42 Cr. |
| Long Term Rating | ACUITE D (Downgraded from ACUITE BBB- /Stable) |
| Short Term Rating | ACUITE D (Downgraded from ACUITE A3) |

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating to '**ACUITE D**' (read as **ACUITE D**) from **ACUITE BBB-** (read as **ACUITE triple B minus**) and short term rating to '**ACUITE D**' (read as **ACUITE D**) from **ACUITE A3** (read as **ACUITE A three**) to the Rs. 159.42 crore bank facilities of Kalisma Steel Private Limited (KSPL).

The downgrade is in view of delays in debt servicing.

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) in Maharashtra. The plant is carrying out end-to-end processing from manufacturing (rod processing) to surface finishing and even tool repairs to ensure total control.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The company is 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 Limited, a group company.

Weaknesses

- **Delays in servicing debt obligations**

KSPL has been facing significant impairment in liquidity leading to delinquency in account.

- **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.

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 | 5.46 | 6.15 | 7.44 |
| 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.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|--------------------------------------|-----------------------------------|
| 19-Dec-2017 | Term Loan | Long Term | 48.54 | ACUITE BBB- / Stable (Assigned) |
| | Cash Credit | Long Term | 8.00 (reduced from Rs.10.00 crore) | ACUITE BBB- / Stable (Reaffirmed) |
| | Packing Credit | Short Term | 30.00 | ACUITE A3 (Assigned) |
| | Bills Discounting | Short Term | 26.00 | ACUITE A3 (Assigned) |
| | Letter of Credit | Short Term | 33.80 (enhanced from Rs.30.00 crore) | ACUITE A3 (Reaffirmed) |
| | Bank Guarantee | Short Term | 10.00 | ACUITE A3 (Assigned) |
| | Proposed Long Term Loan | Long Term | 3.08 | ACUITE BBB- / Stable (Assigned) |
| 18-Dec-2017 | Cash Credit | Long Term | 10.00 | ACUITE BBB- / Stable (Assigned) |
| | Letter of Credit | Short Term | 30.00 | ACUITE A3 (Assigned) |

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings |
|-------------------------|------------------|----------------|----------------|-----------------------------|-----------------------|
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 48.54 | ACUITE D (Downgraded) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 8.00 | ACUITE D (Downgraded) |
| Packing Credit | Not Applicable | Not Applicable | Not Applicable | 30.00 | ACUITE D (Downgraded) |
| Bills Discounting | Not Applicable | Not Applicable | Not Applicable | 26.00 | ACUITE D (Downgraded) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 33.80 | ACUITE D (Downgraded) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE D (Downgraded) |
| Proposed Long Term Loan | Not Applicable | Not Applicable | Not Applicable | 3.08 | ACUITE D (Downgraded) |

Contacts

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About Acuite Ratings & Research:

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