



Press Release
K A I INTERNATIONAL PRIVATE LIMITED
January 31, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	15.00	-	ACUITE A2 Assigned
Total Outstanding Quantum (Rs. Cr)	85.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple B**) on the Rs. 70.00 Cr. bank facilities of K A I International Private Limited (KAIPL). The outlook remains ‘**Stable**’.

Acuite has assigned its short-term rating of ‘**ACUITE A2**’ (read as **ACUITE A two**) on the Rs. 15.00 Cr. bank facilities of K A I International Private Limited (KAIPL). The outlook remains ‘**Stable**’.

Rationale for the rating

The rating reaffirmation considers the moderation in business risk profile of the group marked by moderation in scale of operations. The rating also factors in the healthy financial risk profile and the adequate liquidity position. These strengths are however offset by inherent cyclicity in the steel industry and the intense competition, which makes margins and cash flows vulnerable to fluctuations in prices and demand.

About the Company

Incorporated in 2007, K A I International Private Limited (KAIPL) is engaged in the trading of iron ore fines, coal, steel products such as sponge iron and billets. The current directors of the company are Mr. Suresh Agarwal, Mr. Yashraj Sethia and Natwar Kumar Agarwal. The company based in Orissa

About the Group

Established in 2003, Bhaskar Steel and Ferro Alloy Private Limited (BSFAPL) is engaged in manufacturing sponge iron & billets with its plant located in Rourkela, Odisha. It was initially promoted by the Maliram Shiva Kumar Group, a Nepalese conglomerate. In October 2010, the company was acquired by the promoters of SRMB Srijan Private Limited as a part of backward integration initiative for the TMT bar business. After running the company for about 10 years, SRMB Srijan Private Limited decided to focus on branding and selling TMT and sold the business in September 2021, to Sethia & Agarwal Family of Odisha. BSFAPL has an existing manufacturing capacity of 2,23,500 MTPA for Sponge Iron and 1,51,470 MTPA for Billets and also has a 22 MW captive power plant. The company is currently undergoing a capex for capacity expansion and forward integration initiative by installing additional 71,280 MTPA of Billet Unit & 1,62,000 MTPA of Rolling Mill. Present directors of the company are Mr. Yashraj Sethia, Mr. Suresh Agarwal, and Mr. Mukesh Agarwal.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

ACUITE has considered the consolidated financials of Bhaskar Steel and Ferro Alloy Private Limited (BSFAPL) and K A I International Private Limited (KAIPL). The consolidation is on account of the common management, same line of operations, significant operational and financial fungibility and corporate guarantee of KAIPL in BSFAPL.

Key Rating Drivers

Strengths

Long track record of operations and experienced promoters

The group has long operational track record in the iron and steel industry for around one and a half decade. Further, the Promoters have more than two decades of experience in the field of trading of iron ore and coal products and more than a decade of experience in manufacturing of steel and steel related products. Acuite believes that the long operational track record of the group coupled with the long experience of the management might continue to benefit the group going forward.

Moderation in business risk profile albeit improvement in overall operating performance

The operating income of the group increased significantly and stood at Rs. 1264.97 Cr. in FY24 as compared to Rs. 776.72 Cr. in FY23 reflecting a Y-O-Y growth of 62.86%, the growth in FY24 is mainly due to the increase in the orders for export of iron ore in KAIPL. however, the company booked revenue of Rs. 404.63 Cr. (after adjusting inter-company transactions) out of which Rs. 97.28 Cr. is booked by KAIPL and Rs. 347.97 Cr. is booked by BSFAPL till Q3FY25, decline in revenue of KAIPL is due to reduced demand of iron ore and coal in Chinese markets. There was a decline in the turnover of BSFAPL, during FY24, primarily due to the reduction in realization. However, going forward the group is majorly going to focus on BSFAPL.

The operating margin of the group moderated to 4.39 per cent in FY24 as against 5.31 per cent in FY23 due to increase in material cost. However, the operating margin improved significantly and stood at 10.30 per cent in Q3FY25 on account of cost saving due to captive power plant. Also, the PAT margin moderated 2.36 per cent in FY24 as against 2.68 per cent in FY23. PAT margin increased to 4.64 per cent in Q3FY25. Acuite believes that with the planned capex towards expansion of existing DRI, SMS plant, captive power plant and forward integration of its unit, the profitability of the group is likely to improve in the medium term.

Semi integrated nature of operations with captive power plant and ongoing capex towards full integration

The sponge iron produced is used as a raw material for production of billets in BSFAPL and iron ore fines, coal, etc required for the production of sponge iron is procured from KAIPL, thereby enabling the company to reap the benefits of semi-integrated nature of operations. Further, the company has a captive power plant of 22MW, which is the requirement of the plant in its full capacity, hence the entire power is captively sourced, and the group saves significantly on the power and fuel cost. Further, the group is undergoing a capex to make the unit fully integrated by setting up a rolling mill which is expected to start commercial production from Q1FY2026.

Healthy financial risk profile

The group's financial risk profile is healthy marked by healthy net worth base, low gearing and strong debt protection metrics. The tangible net worth of the group increased to Rs.286.52 Cr. as on March 31, 2024 from Rs.215.37 Cr. as on March 31, 2023, due to accretion of profits and increase in equity share capital. Previously Acuite had considered an unsecured loan of Rs. 26.62 Cr as Quasi Equity but now Acuite has considered an unsecured loan of Rs.13.41 Cr. as Quasi Equity as there was no requirement for KAIPL to maintain Quasi Equity due to lower utilisation of its working capital limits, also management has undertaken to maintain this amount in the business over the medium term.

Gearing stood low at 0.59 times as on March 31, 2024 as against 0.47 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.09 times as on March 31, 2024 as against 1.75 times as on March 31, 2023. Moreover, the strong debt protection metrics is marked by Interest Coverage Ratio of 5.05times as on March 31, 2024 as against 5.24 times as on March 31, 2023; and Debt Service Coverage Ratio at 3.04 times as on March 31, 2024 as against 2.55 times as on March 31, 2023.

BSFAPL is undergoing a capital expenditure to expand its existing units and enhance its manufacturing facilities by installing additional 71,280 MTPA of Billet Unit & 1,62,000 MTPA of Rolling Mill. 2 furnaces of billet will start operations in Q4FY25 which will cost Rs. 23.00 Cr. funded through promoters' contribution and internal accruals. Post stabilization of the billet unit the TMT unit will commence operations in the first quarter of FY26. The total project cost for Setting of Rolling Mill with capacity of 162000 MTPA is Rs.43.00 which will be funded through Rs.30.00 Cr. of term loan and Rs.13.00 Cr. of promoters contribution. During the previous capex, it was decided that the total term loan infusion would be Rs. 120.00 Cr. and rest would be through promoters' contribution and internal accruals. The term loan infusion for funding project remained same despite the increase in the total cost.

Acuite believes that going forward the financial risk profile of the group is likely to be sustained despite debt

funded capex plan backed by steady accruals and healthy net worth.

Weaknesses

Moderately intensive working capital operations

The group has moderately working capital nature of operations marked by GCA days of 73 days in FY2024 as against 180 days in FY2023. K A I International Limited (KAIPL) has paid significant advances to suppliers amounting to Rs. 140.47 Cr. in FY2023 to ensure regular availability the goods, which contributed to high GCA days in FY2023. However, the debtor collection period improved and stood comfortable at 06 days in FY2024 as against 10 days in FY2023. Also, the inventory period has improved to 29 days in FY2024 as compared to 62 days in FY2023.

Acuite believes that, the working capital operations of the group would remain moderately intensive over near to medium term owing to expected change in business mix with more focus on manufacturing than trading in the group.

Inherent cyclical nature of the steel industry

The group's performance remains vulnerable to cyclical nature in the steel sector given the close linkage between the demand for steel products and the domestic and global economy. The end-user segments such as real estate, civil construction and engineering also display cyclical nature. Further, operating margins are vulnerable to volatility in the input prices (sponge iron, iron ore and coal) as well as realisation from finished goods. The prices and supply of the main raw material, sponge iron, directly impacts the realisations of finished goods. Any significant reduction in the demand and prices adversely impacting the operating margins and cash accruals of the group will remain a key monitorable.

Rating Sensitivities

Sustained improvement in scale of operations and profitability margins

Improvement in financial risk profile

Deterioration in working capital cycle

Timely completion of ongoing capex

Liquidity Position

Adequate

The group has an adequate liquidity position marked by Net Cash Accruals of Rs.35.76 Cr. as on March 31, 2024 as against long term debt repayments of Rs.4.15 Cr. over the same period. Further, the group is expected to generate sufficient net cash accruals to repay its debt obligation. Moreover, the fund-based bank limit remained moderately utilised at 42.67 per cent for last six months ended October 2024 for BSFAPL and low utilisation at 17.15 per cent for last six months ended October 2024 for KAIPL. The cash and bank balance of the group stood at Rs.41.72 Cr. as on March 31, 2024. The current ratio stood moderate at 2.40 times as on March 31, 2024, as against 1.53 times as on March 31, 2023. Acuite believes that the liquidity position of the group is likely to remain adequate backed by the steady accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1264.97	776.72
PAT	Rs. Cr.	29.85	20.79
PAT Margin	(%)	2.36	2.68
Total Debt/Tangible Net Worth	Times	0.59	0.47
PBDIT/Interest	Times	5.05	5.24

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

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Mar 2024	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	26.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.26	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.74	ACUITE BBB Stable (Reaffirmed)
08 Feb 2024	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	26.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Assigned)
	Proposed Long Term Loan	Long Term	2.74	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	1.26	ACUITE BBB Stable (Assigned)
22 Mar 2023	Proposed Short Term Bank Facility	Short Term	35.52	ACUITE A4+ (Reaffirmed & Withdrawn)
	Working Capital Demand Loan (WC DL)	Long Term	4.17	ACUITE BB+ (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	25.00	ACUITE BB+ (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	10.00	ACUITE BB+ (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	26.00	ACUITE BB+ (Reaffirmed & Withdrawn)
03 Aug 2022	Proposed Short Term Bank Facility	Short Term	35.52	ACUITE A4+ (Downgraded from ACUITE A3)
	Working Capital Demand Loan (WC DL)	Long Term	4.17	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	10.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	25.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	26.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A2 Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE BBB Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	18 Jan 2021	Not avl. / Not appl.	18 Jan 2025	0.19	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.81	Simple	ACUITE BBB Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Name of the Company
1.	K A I International Private Limited
2.	Bhaskar Steel and Ferro Alloy Private Limited

Contacts

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About Acuité Ratings & Research

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