



Press Release
KALINDI ISPAT PRIVATE LIMITED
February 13, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	121.38	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	121.38	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) on the Rs.121.38 Cr. bank facilities of Kalindi Ispat Private Limited (KIPL). The outlook remains ‘**Stable**’.

Rationale for rating

The rating reaffirmation considers experienced management and the long-standing operations of the company. The rating also draws comfort from healthy financial risk profile marked by the low gearing and healthy debt coverage indicators, however team expects moderation in the financial risk profile due to the ongoing debt funded capex. The rating further factors in the steady business risk profile of KIPL. These strengths are however, offset by the intensive working capital operations of the company and exposure of KIPL to inherent cyclicity and competitive nature of steel sector.

About the Company

Incorporated in 2004, Kalindi Ispat Private Limited (KIPL) is based in Bilaspur, Chhattisgarh and promoted by the Singhania family. The company is engaged in the manufacturing of sponge iron and has two DRI Kiln with an installed capacity of 60,000 metric tonne per annum (MTPA). The company purchases both domestic coal & imported coal (depending on the requirements) and crude iron/ iron ore pellets and dolomite as its raw material for manufacturing of sponge iron. The company sells mainly in the markets of Chhattisgarh, Madhya Pradesh and adjacent states to the billet and TMT bar manufacturers. KIPL is managed by Mr. Akhilesh Singhania, Mr. Anand Singhania and Mr. Kumar Mangalam Singhania, having more than two decades of experience in the industry.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of KIPL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management coupled with established clientele relationships

KIPL is managed by Mr. Akhilesh Singhania, Mr. Anand Singhania and Mr. Kumar Mangalam Singhania, having more than two decades of experience in the industry. With the management’s support, the company has established

long standing operations spanning over a decade and successfully developed healthy relationships with key suppliers and reputed customers. Acuité derives comfort from the vintage of the promoters and the believes the long track record of operations along with healthy clientele relationships will continue to benefit the company going forward.

Steady business risk profile

The revenue levels of KIPL stood at Rs. 138.51 Cr. in FY2024 as compared to Rs. 123.50 Cr. in FY2023 reflecting growth of 12.15 per cent over FY23. Further, the company has reported the revenue of Rs. 105.01 Cr. in

9MFY2025. However, the operating margin slightly moderated and stood at 8.53 per cent in FY2024 as compared to 9.21 per cent in FY2023 due to fluctuations in raw material price, further, in 9MFY2025 the company reported operating margin of 8.84 per cent. The PAT margin improved and stood at 5.73 per cent in FY2024 compared to 5.39 per cent in FY2023. Acuité believes the scale of operations of the company will improve steadily going forward backed by the capacity additions over the medium term.

Healthy financial risk profile

The company's healthy financial risk profile is marked by improving net worth, low gearing and healthy debt protection metrics. The tangible net worth of the company improved to Rs. 52.66 Cr. as on March 31, 2024 from Rs. 44.72 Cr. as on March 31, 2023 due to accretion of profits. Gearing of the company improved to 0.02 as on March 31, 2024, as compared to 0.23 as on March 31, 2023, due to reduction in the debt burden and no utilisation of working capital limit. Total outside Liabilities/Tangible Net Worth (TOL/TNW) further improved to 0.22 times as on March 31, 2024, as against 0.43 times as on March 31, 2023. The healthy debt protection metrics of the company are marked by Interest Coverage Ratio (ICR) at 28.85 times in FY2024 compared to 16.34 times in FY2023 and Debt Service Coverage Ratio (DSCR) at 4.78 times in FY2024 compared to 4.00 times in FY2023.

Further, KIPL is undergoing a capex to install one Kiln of 100 TPD to enhance the production capacity of the sponge iron unit from 60,000 MTPA to 99,000 MTPA along with the installation of a new billet unit with production capacity of 107000 TPA. The company is also installing 12MW captive power plant with one WHRB of 6 MW and one AFBC of 6 MW. The project is expected to commence operations in August 2025. The total cost of the project is Rs.138.81 Cr. out of which, Rs. 97.50 Cr. will be funded through a term loan and rest is to be financed by promoters' contribution. Acuité believes that the company's financial risk profile is likely to moderate on account of debt funded capex plans.

Weaknesses

Working capital intensive operations

The working capital operations of KIPL is intensive in nature albeit improving marked by Gross Current Assets (GCA) days at 106 days as on March 31, 2024, as compared to 118 days as on March 31, 2023. The moderate GCA days are on account of moderate inventory days and significant advances given to suppliers coupled with balances with statutory authorities to the tune of Rs. 7.98 Cr. in FY2024. The inventory period at 68 days in FY2024 as against 84 days in FY2023 as the company maintains 2-2.5 months of inventory of iron ore and coal to mitigate the price volatility. However, the debtor cycle stood at 17 days in FY2024 owing to efficient collection mechanism. However, the fund-based limit utilization stood low for the past six months ended November 2024 stood at only 4.16%. Acuité believes that the working capital operations of the company will remain around similar levels over the medium term.

Exposure to inherent cyclicity and competitive nature of steel sector

The company's performance remains vulnerable to cyclicity in the steel sector given the close linkage between the demand for steel products and the domestic and global economy. The downstream steel industry remains heavily fragmented and unorganised. The company is exposed to intense competitive pressures from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

Rating Sensitivities

Improvement in the scale of operations while sustaining the profitability margins

Further elongation of working capital cycle

Deterioration in financial risk profile owing to higher-than expected debt funded capex

Liquidity Position

Adequate

The company's liquidity is adequate marked by steady net cash accruals and low fund-based bank limit utilisation. The net cash accruals stood at Rs. 9.50 Cr. in FY 2024 as against long term debt repayment of only Rs. 1.64 Cr. during the same period. The low fund-based limit utilization for the past six months ended November 2024 stood at only 4.16%. Further, the current ratio also stood strong at 3.65 times as on March 31, 2024. The cash and bank balances of the company stood at Rs. 2.25 Cr. as on March 31, 2024. Acuité believes that going forward the liquidity position of the company will remain adequate owing to steady cash accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	138.51	123.50
PAT	Rs. Cr.	7.94	6.65
PAT Margin	(%)	5.73	5.39
Total Debt/Tangible Net Worth	Times	0.02	0.23
PBDIT/Interest	Times	28.85	16.34

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
18 Dec 2023	Cash Credit	Long Term	19.50	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.88	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.50	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Loan	Long Term	97.50	ACUITE BBB- Stable (Assigned)
22 Nov 2023	Cash Credit	Long Term	19.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Proposed Long Term Bank Facility	Long Term	1.88	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
13 Sep 2023	Cash Credit	Long Term	19.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	1.88	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
08 Jul 2022	Cash Credit	Long Term	19.50	ACUITE BBB- Stable (Assigned)
	Covid Emergency Line.	Long Term	1.88	ACUITE BBB- Stable (Assigned)

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.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	19.50	Simple	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.38	Simple	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2033	97.50	Simple	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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