



Press Release
KHANDELWAL STEEL INDUSTRIES
August 11, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.44	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	7.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	27.44	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A Threeo**) on the Rs. 27.44 Cr. bank facilities of Khandelwal Steel Industries (KSI). The outlook is “**Stable**”.

Rationale for Rating

The rating takes into cognizance the long track of operations with diversified clientele, steady business risk profile, moderate working capital cycle and adequate liquidity position. The rating also factors the increased manufacturing capacity of the firm from 36000 MT/annually to 60000 MT/annually in Q4FY25. However, these strengths are partly offset by the volatility in steel prices in the market.

About the Company

Incorporated in 2000, Khandelwal Steel Industries (KSI) is a Gujarat based partnership firm engaged in manufacturing of high quality steel products. KSI is mainly into manufacturing of Alloy Round bars, equal angles, Flat bars, channels, beams etc. Mr. Shyamlal Gupta & Ms. Rashmi Khandelwal are the current partners of the firm.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered a standalone approach to the business and the financial profile of Khandelwal Steel Industries (KSI) to arrive at the rating.

Key Rating Drivers

Strengths

Steady scale of operations and profitability margins

The firm has achieved a revenue of Rs. 198.40 Cr. in FY25(Prov.) against Rs. 321.52 Cr. in FY24. The decrease of 32.29% is attributed to the temporary suspension of manufacturing operations from April 2024 to December 2024 during the completion of the firm's CAPEX plans. This strategic pause was facilitated to increase its capacity

to 60,000 MT from 36,000 MT. The EBITDA margins of the firm stood at 4.51% in FY25(Prov.) as compared to 3.46% in FY24. The improvement was noticed on account of a slight moderation in the raw material prices. The PAT margins of the firm stood at 3.34% in FY25(Prov.) as compared to 3.69% in FY24. The decrease in PAT was

because of the increased interest costs from the term loans. Going forward, the firm is likely to improve the topline on account of increased manufacturing capacities in medium term.

Average Financial Risk Profile

The financial risk profile of the firm is average marked by moderate net-worth of Rs. 26.62 Cr. as on 31st March 2025(Prov.) against Rs. 25.86 Cr. as on 31st March 2024. The slight improvement has been noticed because accretion of profits to the partners' capital. The total debt of the firm is Rs. 23.83 Cr. as on 31st March 2025(Prov.) against Rs. 21.88 Cr. as on 31st March 2024. The increase in the debt is related to the long-term loan of Rs. 4 Cr. which has been taken to fund the CAPEX plans. The gearing stands low at 0.89 times in FY25(Prov.) against 0.85 times in FY24. Further, the interest coverage ratio of the firm stood at 5.86 times in FY25(Prov.) against 10.40 times in FY24. The debt service coverage ratio stood at 4.27 times in FY25(Prov.) against 9.02 times in FY24. The TOL/TNW stood at 1.05 times in FY25(Prov.) against 1.52 times in FY24. Acuité believes that the financial risk profile of KSI is likely to remain average over the medium term due to any further debt funded CAPEX plans.

Moderate Working Capital Operations

The working capital operations of the firm is moderate marked by GCA days which stood at 80 days as on 31st March 2025(Prov.) against 65 days as on 31st March 2024. The increase is majorly noticed because of increased inventory levels at the year end. The inventory days of the firm stood at 26 days as on 31st March 2025(Prov.) against 16 days as on 31st March 2024. The increase was observed primarily due to the firm's shift in focus from manufacturing to trading activities over the course of three quarters during CAPEX phase. This transition resulted in a decrease in the cost of sales in the initial quarters. Additionally, the commencement of manufacturing operations in the Q4FY25 led the firm to stock inventory at normal levels, which contributed to an increase in inventory days at year end. The debtor days of the firm stood at 51 days as on 31st March 2025(Prov.) against 38 days as on 31st March 2024. On the other hand, the creditor days of the firm stood at 8 days as on 31st March 2025(Prov.) against 18 days as on 31st March 2024. Acuité believes that KSI is likely to stay on the same lines on account of no major changes in the management policies regarding stakeholders.

Weaknesses

Intense competition and inherent cyclical nature of the steel industry

The downstream steel industry remains heavily fragmented and unorganized. The firm is exposed to intense competitive pressures from large number of organized and unorganized 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. Acuité believes that the group remains exposed to such cyclical nature and competition in the steel industry is reflected from volatility to its operating margins.

Rating Sensitivities

Movement in topline and profitability
Movement in working capital operations
Capex plans

Liquidity Position

Adequate

The liquidity profile of the firm is adequate. The firm generated a net cash accrual of Rs. 8.03 Cr. as on as on 31st March 2025(Prov.) against the debt repayment obligations of Rs. 0.61 Cr. in the same period. The current ratio of the firm increased to 2.71 times as on 31st March 2025(Prov.) against 2.01 times as on 31st March 2024. The NCA/TD stood at 0.34 times in FY25(Prov.) as against 0.59 times in FY24. The cash & bank balance stood at Rs. 0.13 Cr. as on 31st March 2025(Prov.) as against Rs. 0.06 Cr. as on 31st March 2024. Further, the average bank limit utilization at the month end balance stood low at 58.86% for 6 months ending March 2025. Acuité believes that the liquidity of KSI is likely to remain adequate over the medium term on account of steady cash accruals and absence of any further debt funded CAPEX.

Outlook : Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	198.40	321.52
PAT	Rs. Cr.	6.63	11.88
PAT Margin	(%)	3.34	3.69
Total Debt/Tangible Net Worth	Times	0.89	0.85
PBDIT/Interest	Times	5.86	10.40

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

None

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 : Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A3 Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE A3 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.33	Simple	ACUITE BBB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	18 Jan 2025	Not avl. / Not appl.	18 Apr 2030	3.80	Simple	ACUITE BBB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	29 Dec 2022	Not avl. / Not appl.	28 Feb 2031	1.31	Simple	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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