



Press Release

K B Ispat Private Limited

March 24, 2025

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	116.79 (including proposed limit of 10.56)	IVR BBB-/ Stable (IVR Triple B minus with Stable outlook)	IVR BB+/ Negative ISSUER NOT COOPERATING* (IVR Double B Plus with Negative Outlook Issuer Not Cooperating)	Rating upgraded and removed from Issuer Not Cooperating category; Outlook revised	Simple
Short-Term Bank Facilities	13.26	IVR A3 (IVR A Three)	IVR A4+ ISSUER NOT COOPERATING* (IVR A Four Plus Issuer Not Cooperating)	Rating upgraded and removed from Issuer Not Cooperating category	Simple
Total	130.05 (Rs. One hundred Thirty crore and five lakh only)				

**Issuer not cooperating; Based on best available information*

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Earlier Infomerics had moved the ratings of K B Ispat Private Limited (KBIPL) into Issuer Not Cooperating category vide its press release dated January 31, 2025, due to non-submission of information required for detailed review of the company. However, the company has started cooperating and submitted required information. Consequently, Infomerics has removed the ratings from 'ISSUER NOT COOPERATING' category and upgraded the ratings.

The upgradation of the ratings assigned to the bank facilities of K B Ispat Private Limited (KBIPL) on the back of commencement of proposed capex program without time and cost overrun coupled with improvement in financial performance during 9MFY25 (refers to period April 1st, 2024, to Dec 31st, 2024). Further, the ratings continue to derive strength from strong promoter group, steady increase in the scale of operations with moderation in profitability, moderate financial risk profile, locational advantage of manufacturing unit and moderate working capital cycle. These rating strengths are partially offset by susceptibility of profitability to volatility in raw material prices and exposure to cyclicalities associated with the steel industry.



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The long-term rating outlook has been revised to Stable from Negative on the back of satisfactory demand outlook of the respective industry coupled with stabilisation in scale of operation and improvement in financial risk profile of the company.

Key Rating Sensitivities:

Upward Factors

- Continuous growth in revenue along with sustained profitability.
- Sustained improvement in the capital structure with improvement in debt coverage indicators.
- Improvement in its liquidity with improvement in operating cycle.

Downward Factors

- Moderation in scale of operations and/or profitability.
- Deterioration of capital structure and debt coverage indicators.
- Deterioration in working capital management.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Strong promoter group**

K B Ispat Private Limited is jointly promoted by a family of three brothers who are current directors of company - Mr. Hemant Vora, Mr. Kumar Vora & Mr. Nilesh Vora. The promoters have over 25-30 years of experience in the industry, which has helped them to forge strong relations with suppliers and customers.

- **Steady increase in the scale of operations with moderation in profitability**

The revenue of the company has been increasing at a CAGR of ~23% during the last three years and ended at Rs. 382.72 crore during FY24 (refers to period April 1st, 2023, to March 31st, 2024). Till December 2024, the company has already attained ~ Rs. 486 crore which is ~127% of FY24 revenue. This significant growth in revenue is on the account of fresh revenue flow from the new MS billet plant, which was started operations from April 2024. Moreover, the profitability margins of the company sustained and improved slightly



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reflected from improved operating and profitability margins. EBITDA margin stood at 4.84% in FY24, whereas PAT margin moderated at 1.34% in FY24.

- **Moderate financial risk profile**

The financial risk profile remained moderate marked by comfortable debt protection metrics. The net worth of the company stood at Rs. 50.61 crore as on 31st March 2024 as against Rs. 37.99 crore as on 31st March 2023, on account of accretion of reserves. The overall gearing ratio and Total Debt to GCA both increased to 1.92x and 7.21x respectively as on March 31, 2024, on the back of higher bank borrowing majorly funded towards the expansion project. Total indebtedness marked by TOL/TNW increased to 2.53x as on March 31, 2024, from 1.71x as on March 31, 2023. The debt protection metrics stood comfortable marked by Interest Coverage Ratio of 3.64x and Debt Service Coverage Ratio of 1.67x in FY24.

- **Locational advantage of manufacturing unit**

The location of the billet plants and TMT bar plant is very strategically placed since it is located at the brink of Bhavnagar-Ahmedabad Highway. The location is merely 20 kms away from the main business centre of Bhavnagar and would provide excellent logistical support to the company for movement of goods. Company manufacturing unit is located at around 50 kms from Alang Ship Breaking Yard thus the location is strategically advantageous. There are many steel industries nearby from where raw materials are easily made available. The location of the plant is surrounded by states like Maharashtra, Rajasthan, and Madhya Pradesh, which are producing sample quantity of iron and steel raw material. So, the basic raw materials for present as well as proposed products are all indigenously available at short notice and in required quantity and quality. The location of plant is important for the smooth and economical operation of the industrial unit.

- **Moderate working capital cycle**

The company's working capital cycle has increased though stood moderate reflecting from operating cycle of 38 days in FY24 compared to 22 days in FY23 (refers to period April 1st, 2022, to March 31st, 2023). This slight increase in operating cycle was the result of slight increase in collection and inventory period. Moreover, the average fund-based utilisation for the past twelve months ended December 2024 remained low at ~60%, which provides enough liquidity cushion.



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Key Rating Weaknesses

- **Susceptibility of profitability to volatility in raw material prices**

The degree of backward integration defines the ability of the company to withstand cyclical downturns generally witnessed in the steel industry. Major raw material required for the company is MS scrap which it procures from traders and ship breakers from Bhavnagar in Gujrat. Raw material cost accounted over ~85-90% of cost of sales in the last three fiscals. Since raw material is the major cost driver, the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw-material prices. Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.

- **Exposure to cyclicity associated with the steel industry**

The domestic steel industry is cyclical in nature which is likely to impact the cash flows of the steel players, including KBIPL. The steel industry is cyclical in nature and has witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. The company's operations are thus vulnerable to any adverse change in the demand-supply dynamics.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

KBIPL has earned gross cash accrual of Rs. 13.48 crore in FY24. Further, the company is expected to earn gross cash accruals in the range of ~ Rs. 15 - 19 crore as against its debt repayment obligation around ~ Rs. 7 - 10 crore during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Moreover, the current ratio was adequate at 1.33x as on March 31, 2024. The average fund-



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based utilisation for the twelve months ended December 2024, remained moderate at ~60% indicating adequate liquidity cushion. Additionally, as on March 31, 2024, the company have Rs. 5.46 crore of cash and cash equivalents which brings additional liquidity comfort to the business.

About the Company

Incorporated in 2010, K B Ispat Private Limited is involved in the manufacturing Mild Steel Billets and TMT bars. The installed capacity for billets is 60,000 MTPA while that of TMT bars is 48000 MTPA. The company has an integrated facility with an induction furnace and continuous caster to produce billets using sponge iron and scrap, a part of which are captively consumed towards the production of TMT bars. The company in the process of setting up a Mini Steel Plant employing Induction Furnace & Continuous Casting machine and expand the manufacturing facility of MS billet with additional annual installed capacity of 60,000 MTPA. The production is expected to be used for sale in market and also for captive consumption and manufacture of TMT Bars.

Currently, Hemantbhai Rasiklal Vora, managing director, looks after day-to-day affairs of the company along with other directors and a team of experienced personnel.

Financials (Standalone):

	(Rs. crore)	
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	423.49	382.72
EBITDA	19.61	18.54
PAT	5.53	5.12
Total Debt	43.39	97.15
Tangible Net Worth	37.99	50.61
EBITDA Margin (%)	4.63	4.84
PAT Margin (%)	1.31	1.34
Overall Gearing Ratio (x)	1.14	1.92
Interest Coverage (x)	3.97	3.64

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	(Jan 31, 2025)	Date(s) & Rating(s) assigned in 2023-24 (Dec 05, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1	Term Loan	Long Term	50.67	IVR BBB-/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING*	IVR BBB-/ Stable	-	-
2	GECL	Long Term	4.61	IVR BBB-/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING*	IVR BBB-/ Stable	-	-
3	Cash Credit	Long Term	50.95	IVR BBB-/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING*	IVR BBB-/ Stable	-	-
4	Proposed Cash Credit	Long Term	10.56	IVR BBB-/ Stable	-	-	-	-
5	Bank Guarantee	Short Term	8.00	IVR A3	IVR A4+ ISSUER NOT COOPERATING*	IVR A3	-	-
6	Letter of Credit	Short Term	5.00	IVR A3	IVR A4+ ISSUER NOT COOPERATING*	IVR A3	-	-
7	CEL/ Derivative/Forward Contract	Short Term	0.26	IVR A3	IVR A4+ ISSUER NOT COOPERATING*	IVR A3	-	-

*Issuer did not cooperate; based on best available information

Analytical Contacts:

Name: Sandeep Khaitan
Tel: (033) 4803 3621
Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	January 2027	3.20	IVR BBB-/ Stable
Term Loan 2	-	-	February 2031	37.43	IVR BBB-/ Stable
Term Loan 3	-	-	July 2024	9.67	IVR BBB-/ Stable
Term Loan 4	-	-	April 2024	0.37	IVR BBB-/ Stable
GECL 1	-	-	November 2024	0.35	IVR BBB-/ Stable
GECL 2	-	-	March 2027	2.61	IVR BBB-/ Stable
GECL 3	-	-	July 2024	0.66	IVR BBB-/ Stable
GECL 4	-	-	April 2027	0.99	IVR BBB-/ Stable
Cash Credit 1	-	-	-	11.00	IVR BBB-/ Stable
Cash Credit 2	-	-	-	39.95	IVR BBB-/ Stable
Proposed Cash Credit	-	-	-	10.56	IVR BBB-/ Stable
Bank Guarantee	-	-	-	8.00	IVR A3
Letter of Credit	-	-	-	5.00	IVR A3
CEL/ Derivative/Forward Contract	-	-	-	0.26	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-KB-Ispat-24mar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable



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Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com

