Press Release

Khyati Ispat Private Limited

July 31, 2025

Ratings

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	98.24 (Enhanced from 95.70)	IVR BBB; Stable (IVR Triple B with Stable Outlook)	IVR BBB; Stable (IVR Triple B with Stable Outlook)	Rating Reaffirmed	Simple
Short Term Bank Facilities	33.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Rating Reaffirmed	Simple
Total	**131.24 (INR One Hundred Thirty-One Crore and Twenty-Four Lakh Only)**				

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

The reaffirmation of the ratings assigned to the bank facilities of Khyati Ispat Private Limited (KIPL) continues to derive comfort from its experienced promoters, reputed clientele and locational advantage of the manufacturing facility. The ratings also positively note the improvement in business performance of the company in FY2025 (Prov.) [FY refers to the period from April 01 till March 31] and Q1FY2026. The ratings also consider the comfortable capital structure despite marginal moderation as on March 31, 2025 (Prov.), coupled with satisfactory debt coverage indicators in FY2025. However, these rating strengths are constrained by lack of backward integration vis-à-vis volatility in raw material prices, exposure to intense competition, working capital intensive nature of its business and exposure to cyclicality in the steel industry.

The stable outlook reflects Infomerics' expectations of steady growth in demand for iron and steel products with favourable business potential backed by experienced promoters and management team.

Key Rating Sensitivities:

Upward Factors:

- Improvement in operating margin leading to improvement in cash accruals on a sustained basis

- Sustenance of the capital structure with improvement in debt coverage indicators
- Improvement in operating cycle leading to improvement in liquidity

Downward Factors:

- Decrease in scale of operation coupled with decrease in profitability and cash accruals on a sustained basis
- Moderation in the capital structure with deterioration in overall gearing to more than 1.5x and impairment in debt protection metrics with moderation in interest coverage ratio to below 2x
- Elongation of operating cycle thereby impacting the liquidity position of the company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

KIPL is promoted by Mr. Basant Kumar Agarwal and Ms. Babita Basant Agarwal, who has more than three decades of experience in the steel sector. The day-to-day affairs of the company are looked after by Mr. Basant Kumar Agarwal, with the help of his son Mr. Anmol Agarwal, who manages all activities related to the projects, day-to-day planning, management and administration activities. The promoter directors are supported by a team of qualified and experienced management personnel.

- **Locational Advantage**

The manufacturing facilities of KIPL are located at Jarwah, Raipur, where there is ample availability of raw material like billets/blooms. Further, the manufacturing facility of the company is well connected by road/rail. The strategic location of the plant of KIPL enables it to easily and cost effectively procure raw materials and distribute its product.

- **Reputed clientele with longstanding relations with them**

Since its incorporation, KIPL supplies its manufactured product to reputed companies like Transrail Lighting Limited, Kalpataru Power Transmission Limited, Larsen & Toubro Limited, etc. Hence, the company has maintained longstanding relationship with reputed corporates which enables it to procure repeat orders.

- **Improvement in business performance FY2025 (Prov.) and in Q1FY2026**

The company witnessed a y-o-y improvement in its Total operating income (TOI) by ~16% in FY25 (Prov.) to Rs.832.48 crore as compared to Rs.717.99 crore in FY2024 mainly driven by increase in volume sales attributable to increase in domestic demand for steel products. Also, the commencement of galvanization and fabrication unit from June 2021 onwards resulted in addition of new customers which in turn added to the growth in revenues during the last two fiscal years. With the increase in top line, EBITDA margin also increased from 6.71% in FY24 to 6.99% in FY25 (Prov.) driven by economies of scale resulting in better absorption of fixed overheads. Consequently, PAT margin increased from 2.09% in FY24 to 2.19% in FY25 (Prov.). Net cash accruals also increased from Rs.21.15 crore in FY24 to Rs.25.92 crore in FY25 (Prov.). Further, KIPL achieved a PAT of Rs.5.86 crore on a TOI of Rs.249.44 crore during Q1FY26 as against a PAT of Rs.3.69 crore on a TOI of Rs.167.79 crore during Q1FY2025 in view of an increase in demand for the company's products. The company's ability to sustain growth in its scale of operation while focusing on increasing its operating margin will be a key rating monitorable going forward.

- **Comfortable capital structure despite marginal moderation coupled with satisfactory debt coverage indicators**

The capital structure of the company moderated marginally with long term debt equity ratio and overall gearing of 0.26x and 1.19x respectively as on March 31, 2025 (Prov.) as against 0.24x and 1.10x respectively as on March 31, 2024. The marginal moderation in the leverage ratios is majorly on account of the increase in unsecured loans and working capital borrowings on the account closing date. However, total indebtedness as reflected by TOL/ATNW remained comfortable at 2.51x as on March 31, 2025 (Prov.). Besides, the company has also extended corporate guarantee to the bank facilities availed by its group company Mangalam Alloys & Ispat Private Limited and including the said corporate guaranteed debt in the total debt, the overall gearing ratio and TOL/ATNW of the company stood at 1.38x and 2.70x respectively as on March 31, 2025 (Prov.). The debt coverage indicators marked by ICR continue to remain comfortable at 2.20x in FY2025 (Prov.) (PY:2.15x). Total debt/EBITDA and Total debt/GCA also improved from 2.22x and 5.06x respectively as on March 31, 2024, to 2.20x and 4.95x respectively as on March 31, 2025 (Prov.).

Key Rating Weaknesses

- **Lack of backward integration vis-vis volatility in raw material prices**

Raw material consumption is the single largest cost component for KIPL. The company does not have any backward integration for its basic raw materials and has to purchase the same from open market. Since, the raw material is the major cost driver (constituting about ~85-90%

of total cost of sales in the past years) and with raw material prices being volatile in nature, the profit margins of the company remain susceptible to fluctuation in raw material prices.

- **Exposure to intense competition**

The steel manufacturing businesses is characterized by intense competition across the value chain due to low product differentiation, and consequent intense competition, which limits the pricing flexibility of the players, including KIPL.

- **Working capital intensive nature of business**

The operations of KIPL are working capital intensive on account of high inventory period of around 90-100 days since the company makes back-to-back purchase of billets to reduce the volatility of raw material. Also, the company allows credit period of around 45-60 days to its customers resulting in higher operating cycle. Moreover, the average working capital utilization remained moderately high at ~86% for the past twelve months ended May 2025. The working capital cycle though improved from 85 days in FY2024 to 79 days in FY2025 (Prov.) continues to remain high. The company also has a large amount of stuck debtors outstanding for over 3 years to the tune of Rs.40.21 crore as on March 31, 2025, most of which is due from a single customer and the same is under dispute. Infomerics has adjusted the amount of said debtors from the TNW on a conservative basis. The realisation of dues from the said debtors will be critical from credit perspective.

- **Cyclicality in the steel industry**

The domestic steel industry is cyclical in nature and is likely to influence the cash flows of the steel players, including KIPL. The steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. Further, the company's operations are 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

The liquidity of the company is expected to remain adequate in the near to medium term marked by expected sufficient cash accruals of the company as against its debt repayment obligations in the near to medium term. The average working capital limit utilisation also remained moderate at ~86% during the past twelve months ended May 2025 indicating moderate liquidity buffer. The current ratio also stood comfortable at 1.50x as on March 31, 2025 (Prov.). However, the liquidity position remains constrained to an extent due to its elongated operating cycle.

About the Company

KIPL was incorporated in the year 1996 by one Agarwal family based out of Raipur, Chhattisgarh to set up a steel plant. The directors of KIPL are Mr. Basant Kumar Agarwal and Mr. Babita Basant Agarwal. The company has its registered office in Raipur, Chattisgarh. The company started its commercial production in 2005. It is engaged in production of rolled products Mild Steel (MS) Billets, MS Angles, MS Channels, MS Flats, MS Round, Thermo Mechanically Treated (TMT) bars, Joist/Beam and Other By-Products. The company's manufacturing plant is located in Jarwah, Hirapur, Raipur (Chhattisgarh) with installed capacity of 114000 MTPA. Further, KIPL has recently concluded a capex and set up a fabrication and galvanisation unit with an installed capacity of 60,000 MTPA which commenced operations from July 2021 onwards.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2024	31-03-2025
	Audited	Provisional
Total Operating Income	717.99	832.48
Total Income	718.48	833.06
EBITDA	48.19	58.20
PAT	15.04	18.25
Total Debt	106.94	128.30
Tangible Net Worth	136.37	154.62
Adjusted Tangible Net worth	97.03	107.73
EBITDA Margin (%)	6.71	6.99
PAT Margin (%)	2.09	2.19
Overall Gearing Ratio (x)	1.10	1.19
Interest Coverage (x)	2.15	2.20

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Brickwork Ratings has continued the rating under issuer non cooperating category vide its press release dated June 04, 2025, due to lack of cooperation from the client and in absence of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2025-26)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	
					May 28, 2024	-	March 31, 2023	February 09, 2023
1.	Term Loan	Long Term	1.24 #	IVR BBB/ Stable	IVR BBB/ Stable	-	IVR BBB-/Stable	IVR BB+/Negative; ISSUER NOT COOPERATING*
2.	Cash Credit	Long Term	97.00 (Enhanced from Rs.92.00 crore)	IVR BBB/ Stable	IVR BBB/ Stable	-	IVR BBB-/Stable	IVR BB+/Negative; ISSUER NOT COOPERATING*
3.	Letter of Credit	Short Term	33.00	IVR A3+	IVR A3+	-	IVR A3	IVR A4+; ISSUER NOT COOPERATING*

** Issuer did not cooperate; based on best available information*
 # Outstanding as on May 31, 2025

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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.

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.

For more information and definition of ratings please visit www.infomerics.com.

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	-	-	January 2026	1.24 *	IVR BBB; Stable
Cash Credit	-	-	-	97.00	IVR BBB; Stable
Letter of Credit	-	-	-	33.00	IVR A3+

**Outstanding as on May 31, 2025*

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Len-Khyati-Ispat-31july25.pdf

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

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.