



## Press Release

### KB Ispat Private Limited

December 5, 2023

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	116.79	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	13.26	IVR A3 (IVR A three)	Assigned	Simple
<b>Total</b>	<b>130.05</b> <b>(One hundred thirty crore and five lakh only)</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of K B Ispat Private Limited (KB IPL) derives strength from strong promoter group, consistent increase in topline and profit, conservative capital structure and adequate debt protection metrics, locational advantage of manufacturing unit and a moderate working capital cycle. However, these rating strengths are constrained by susceptibility of profitability to volatility in raw material prices and exposure to cyclicalities associated with the steel industry.

#### Key Rating Sensitivities:

##### Upward factors

- Sustained revenue growth coupled with improvement in profitability on a sustained basis.
- Growth in cash accrual and prudent working capital management
- Successful commissioning of the capex project

##### Downward factors

- Any decline in revenue and profit margin on a sustained basis



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- Moderation in the capital structure with overall gearing ratio moderated to over 1.5x
- Deterioration in debt protection metrics and Total debt/GCA.

### 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.

- **Consistent increase in topline and profit**

Total operating income of the company has improved at a CAGR of ~43% during FY21 to FY23 on the back of increase in demand coupled with increase in average realisation where TOI has increase to ~Rs.424 crore in FY23 from ~Rs. 274 crore in FY22 and Rs. ~Rs. 208 crore in FY21. Led by an increase in topline the EBITDA level of the company also increased to Rs. 19.61 crore in FY23 from Rs. 15.81 crore in FY22 and Rs. 8.63 crore in FY21. PAT also increased to Rs. 5.53 crore in FY23 from Rs. 4.68 crore in FY22 and Rs. 2.08 crore in FY21. The company is in the process of expanding billet manufacturing by 60,000 MTPA out of which 50% will be used for captive consumption in the manufacture of TMT bars and 50% will be sold in the market. Thus, an increase in scale of production is likely to result in topline and profit growth in the projected years.

- **Conservative capital structure and adequate debt protection metrics**

The company has a conservative capital structure over the years. The long-term debt equity ratio and overall gearing continued to remain comfortable since last three financial years ending as on March 31, 2023 at 0.76x and 1.14x respectively, compared with 0.78x and 0.80x respectively as on March 31, 2022. Overall gearing ratio increased in FY23 due to increase in term loan and working capital borrowings. Long term debt by equity increased due to term loan taken to fund the capex project. Further total indebtedness of the company as reflected by the Total Outside Liabilities/Tangible Net worth remained moderate at 1.71x as on March



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31, 2023 (1.37x as on March 31, 2022). Interest coverage ratio, though remained satisfactory in FY23 at 3.97 times, has declined from 5.24 times in FY22 on account of increase in interest expense, which was partly offset by an increase in EBITDA. Further, DSCR was 1.41 times in FY23 compared with 1.76 times in FY22.

- **Locational advantage of manufacturing unit**

The location of the Billet plant & TMT Bar Plant and proposed Billet 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 was moderate at 22 days in FY23 which remained unchanged relative to FY22 level. The working capital intensity was 6% in FY23 compared with 5% in FY22. Moreover, the average fund based utilisation for the past twelve months ended September 2023 remained low at ~28%, which provides enough liquidity cushion.

### 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 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



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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 RGIPL. 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](#)

**Liquidity - Adequate**

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY24-FY26. However, the average fund based utilisation for the past twelve months ended September 2023 remained low at ~28%.

**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.



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The production is expected to be used for sale in market and also for captive consumption and manufacture of TMT Bars.

### Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	274.23	423.49
EBITDA	15.81	19.61
PAT	4.68	5.53
Total Debt	25.87	43.39
Tangible Net worth	32.53	37.99
EBITDA Margin (%)	5.77	4.63
PAT Margin (%)	1.70	1.31
Overall Gearing Ratio (x)	0.80	1.14

\*As per Infomerics' Standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

### Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loans	Long Term	65.84	IVR BBB-/ Stable	-	-	-
2.	Cash Credit	Long Term	50.95	IVR BBB-/ Stable	-	-	-
3.	Bank Guarantee	Short Term	8.00	IVR A3	-	-	-
4.	Letter of Credit	Short Term	5.00	IVR A3	-	-	-
5.	CEL/ Derivative/ Forward Contract	Short Term	0.26	IVR A3	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
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Term Loan 1	-	-	Jan 2027	7.35	IVR BBB-/ Stable
Term Loan 2	-	-	Feb 2031	42.00	IVR BBB-/ Stable
Term Loan 3	-	-	July 2024	10.39	IVR BBB-/ Stable
Term Loan 4	-	-	Apr 2024	0.37	IVR BBB-/ Stable
GECL 1	-	-	Nov 2024	0.35	IVR BBB-/ Stable
GECL 2	-	-	Mar 2027	3.25	IVR BBB-/ Stable
GECL 3	-	-	Jul 2024	0.66	IVR BBB-/ Stable
GECL 4	-	-	Apr 2027	1.47	IVR BBB-/ Stable
Cash Credit 1	-	-	-	11.00	IVR BBB-/ Stable
Cash Credit 2	-	-	-	39.95	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: List of companies considered for consolidated analysis: Not applicable**

**Annexure 3: Facility wise lender details:** [len-KB-dec23.pdf](#)

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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](http://www.infomerics.com)