

July 31, 2025

SAARLOHA Advanced Materials Private Limited: Long-term rating upgraded to [ICRA]AA-; short-term rating reaffirmed; outlook revised to Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term – Fund based/Non-fund based	552.50	552.50	[ICRA]AA-(Stable)/[ICRA]A1+; long-term rating upgraded from [ICRA]A+; short-term rating reaffirmed; outlook revised to Stable from Positive
Total	552.50	552.50	

*Instrument details are provided in Annexure-I

Rationale

ICRA's upgrade of the long-term rating assigned to SAARLOHA Advanced Materials Private Limited (SAARLOHA) factors in a sustained improvement in its profitability, supported by its focus on high-value-added products and structural cost optimisation, including savings in power cost. ICRA expects the healthy earnings to sustain over the medium to long term, thereby supporting SAARLOHA's robust financial profile, underpinned by low leverage, comfortable debt coverage indicators and a strong liquidity position. The business profile of the company is bolstered by its business linkages with Bharat Forge Limited or BFL {the Kalyani Group's flagship entity, rated [ICRA]AA+ (Stable) / [ICRA]A1+} as SAARLOHA meets around 50% of BFL's steel requirements. ICRA notes that SAARLOHA has a market-based price arrangement with BFL, which is designed in a way to absorb a bulk of the input cost volatility, thereby providing SAARLOHA with a relatively stable stream of earnings.

ICRA notes the operational flexibility derived from the company's ability to use various raw material types, enabling consistent product quality while maintaining attractive profitability across business cycles. Additional credit strengths include the proximity of SAARLOHA's manufacturing facilities to raw material sources, international seaports and key customers, the company's diversified product profile and the favourable long-term growth prospects, driven by Bharat Forge's increasing focus on the non-automotive sectors. Further, the growing focus on value-added products is expected to support profitability, despite the volatility in raw material cost.

However, the ratings are constrained by SAARLOHA's continued large non-core investments and deposits in Group companies, (estimated at 36% of the tangible net worth as on March 31, 2025), where deposits were made mainly towards purchase of land. These weigh on its overall business return indicators, as such investments do not generate commensurate returns. A timely monetisation of these investments will remain a key credit monitorable.

The ratings incorporate the risk of the company's high dependence on the cyclical automotive sector and the customer concentration in Bharat Forge, which contribute significantly to its revenues. Additional risks that the rating incorporates include the susceptibility of profitability to raw material price fluctuations and high single-asset concentration, as any disruption at its Pune manufacturing unit could adversely impact the cash flows.

The Stable outlook on the [ICRA]AA- rating reflects ICRA's opinion that SAARLOHA will continue to derive its strength as one of the primary steel suppliers to BFL, which should ensure stability to the overall cash flows.

Key rating drivers and their description

Credit strengths

Comfortable capital structure and strong debt coverage indicators – The capital structure remained comfortable, reflected in its total debt/OPBDITA of 0.9 times as on March 31, 2025 (previous year [P.Y.] – 0.7 times). SAARLOHA's total debt of Rs. 240.1 crore as on March 31, 2025, comprised primarily working capital borrowings. SAARLOHA reported all-time high operating profits of Rs. 279.0 crore in FY2025 (FY2024 – Rs. 266.5 crore). The debt coverage metrics also remained healthy with an interest cover of 32.6 times (P.Y. 13.4 times) in FY2025. Going forward, the overall financial profile is likely to remain comfortable, supported by continued strong demand from the end-user industries and expectation of the profitability sustaining on the back of the focus on value-added products

One of the key steel suppliers to BFL; ensures assured business and steady earnings stream – SAARLOHA was incorporated to meet the steel requirements of BFL. The company supplies forging and engineering quality steel for BFL's automotive and non-automotive components (both domestic and export products). BFL is a major customer for the company, contributing ~70% to the total revenues each fiscal. There exists a strong symbiotic relationship between SAARLOHA and BFL, with the latter procuring over 50% of its steel requirements from SAARLOHA. The proximity of both the plants ensures uninterrupted supply of steel to BFL and a hot charging of material from SAARLOHA to BFL, thereby saving reheating costs for BFL. ICRA notes that SAARLOHA has a market-based price arrangement with BFL, which is designed to absorb bulk of the input cost volatility, thus providing SAARLOHA with a relatively stable earnings stream. This arrangement, coupled with BFL's increasing focus on its non-automotive business, enhances the long-term growth prospects for SAARLOHA.

Diversified product portfolio vis-à-vis competitors – SAARLOHA produces and markets a wide range of specialty steel, such as alloy steel for forging and engineering applications, automotive steel, bearing steel and electro slag re-melted (ESR) steel. The company has set up re-melting furnaces to manufacture ESR and vacuum arc remelted (VAR) steel. ESR and VAR are high value-added steel, which involve advanced methods of re-melting and refining, and find applications in critical mission fields like defence and aerospace, thereby supporting product diversification and operating profitability.

Proximity to raw material sources and key customers and captive power sourcing enhances cost competitiveness – SAARLOHA's manufacturing facility is located near the raw material sources/international seaport and key customers, which gives it competitive cost advantage in transportation and logistics. Also, the company's 74-MW group captive solar power plant which was commissioned in FY2023, has led to full-year savings in power costs from FY2024 onwards.

Credit challenges

Continued large non-core investments/deposits in Group companies – As on March 31, 2025, ~36% of SAARLOHA's net worth is deployed with ~23% towards deposit for purchase of land and ~13% towards non-core investments in Group companies. ICRA understands that these investments are strategic in nature and are not expected to generate any returns over the medium term, which has a negative bearing on the capital return indicators. Any large increase in advances/investments to group companies could weaken the credit profile of SAARLOHA.

Vulnerable to high customer concentration and cyclicity in steel and end-user sector – SAARLOHA primarily caters to the automobile sector, which has a high degree of cyclicity. Moreover, the dependence on BFL exposes the company to high client concentration risk. BFL accounts for 65-75% of SAARLOHA's total sales each fiscal. However, SAARLOHA is gradually diversifying into new sectors like defence, aerospace etc. The share is likely to remain at a similar level, going forward. SAARLOHA, like other steel manufacturers, is also exposed to the cyclicity inherent in the steel industry. Nevertheless, SAARLOHA's strong wallet share in BFL's raw material requirement and the dominant market position of BFL in the Indian forging industry partially mitigate the impact of high client concentration.

Exposure to raw material price fluctuations; favourable pricing arrangement with BFL acts as a mitigant - SAARLOHA follows a market-based pricing mechanism, which is largely cost-plus, with its customers, which allows the passing of higher raw material costs, but there is a lag of two to three months as the selling prices are fixed periodically. As a result, in the interim, the profitability is exposed to raw material price volatility. Nevertheless, the company is focusing on increasing the share of value-added products in its portfolio, which will support the margin over the medium term.

Liquidity position: Strong

SAARLOHA's liquidity position is strong, supported by healthy cash flow from operations, unutilised working capital limits (with sufficient drawing power) and large liquid investments. As on March 31, 2025, the company had free cash, bank balance and liquid investments of Rs. 431.5 crore (including FD of Rs. 425.1 crore). The company's average utilisation of fund-based limits stood at ~31% during the 12 months ended June 2025, providing an additional liquidity cushion. While there are no term loan repayment obligations, the company has limited capex plans of Rs. 30-40 crore between FY2026 and FY2028 to be funded from liquid balances and internal accruals. Going forward, a healthy cash flow from operations will continue to strengthen its strong liquidity profile and support its planned capital expenditure without reliance on external debt.

Rating sensitivities

Positive factors – The rating could be upgraded if the company exhibits a sustained growth in its earnings while maintaining strong debt coverage and liquidity profile, going forward.

Negative factors – Pressure on SAARLOHA's ratings could arise if the company's earnings deteriorate significantly due to a sustained slowdown in the key end-user industry, thereby exerting pressure on the profitability and coverage indicators. Moreover, any large debt-funded capacity expansion affecting SAARLOHA's capital structure, or any significant increase in investments/deposits in Group companies which exert pressure on the liquidity and credit metrics would be a negative trigger. A specific credit metric for downgrade includes total debt/OPBDITA of more than 1.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Iron & Steel
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

SAARLOHA, incorporated in 1998, began as a 74:26 joint venture between the Kalyani Group and Carpenter Technology Corporation, USA. The company was set up to supply specialty steel to Bharat Forge Limited in technical collaboration with its foreign shareholder. The company's manufacturing facilities operated as units of Kalyani Steel Limited till 1998, when the units were demerged and incorporated into a separate company. In FY2016, the Kalyani Group acquired the entire stake held by the Carpenter Group. The company was renamed SAARLOHA Advanced Materials Private Limited with effect from March 13, 2018.

SAARLOHA manufactures and supplies specialised steel for the auto, mining, bearings, defence and engineering sectors. It has a wide product portfolio, which includes forging quality and engineering quality steel, carbon and alloy steel, ESR steel, tool

and die, valve, gearing and stainless steel. SAARLOHA has two plants - one each at Mundhwa (Pune, Maharashtra) and Ranjangaon (Pune, Maharashtra). While the Mundhwa facility is a steel producing unit with an installed production capacity of 2,04,000 MTPA, the Ranjangaon facility houses the valve steel finishing facility with a manufacturing capacity of 5,000 MTPA. Also, the company had set up a 74-MW solar power plant under the group captive model in FY2023.

Key financial indicators (audited)

Standalone Financials	FY2024	FY2025
Operating income	1,924.8	1900.4
PAT	182.1	196.3
OPBDIT/OI	13.8%	14.7%
PAT/OI	9.5%	10.3%
Total outside liabilities/Tangible net worth (times)	0.5	0.5
Total debt/OPBDIT (times)	0.7	0.9
Interest coverage (times)	13.4	32.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2026)		Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	-	-	-	-	-	-	-	12-May-2022	[ICRA]A+ (Stable)
Fund based/Non-fund based limits	Long term/Short term	552.50	31-July-2025	[ICRA]AA-(Stable)/[ICRA]A1+	29-Nov-2024	[ICRA]A+ (Positive) / [ICRA]A1+	29-Aug-2023	[ICRA]A+ (Stable) / [ICRA]A1+	12-May-2022	[ICRA]A+ (Stable) / [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term – Fund based/Non-fund based limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based/Non-fund based facilities	-	-	-	552.50	[ICRA]AA-(Stable)/ [ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis- Not applicable

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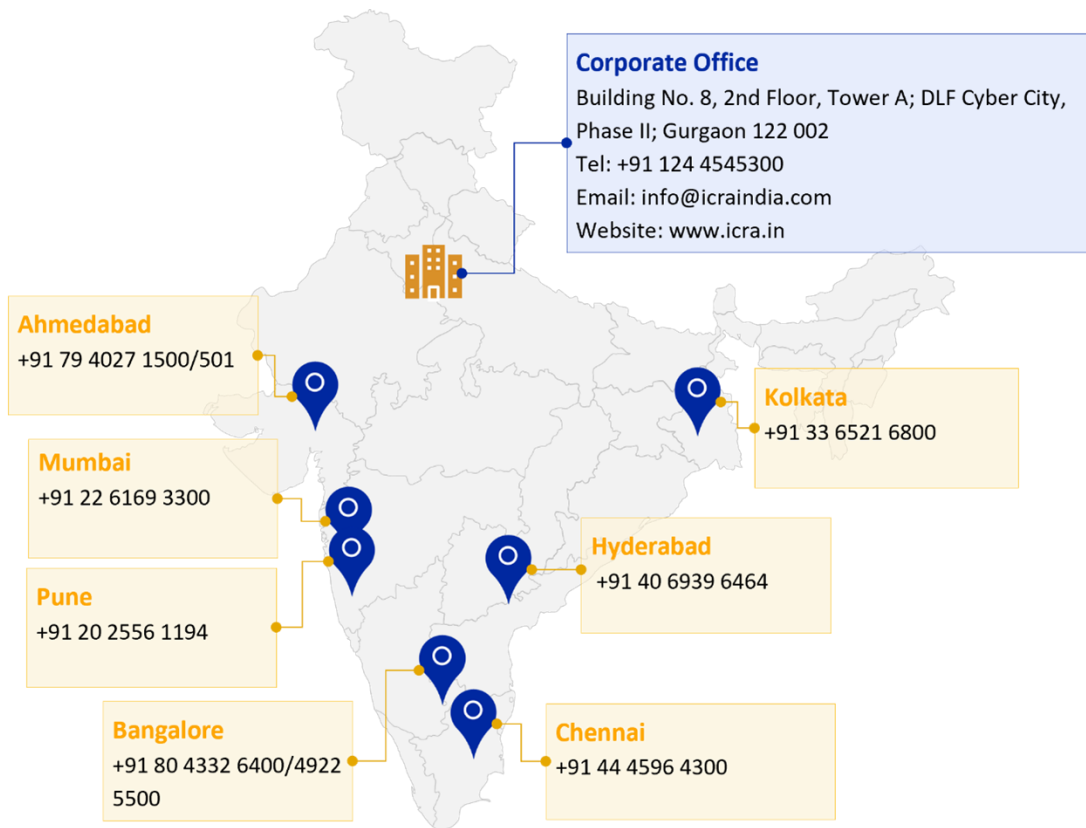
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