

## Kalol Steel & Alloys Private Limited

Instrument	Amount	Rating Action
Fund-based – Cash Credit	Rs. 4.00 crore	[ICRA]B+ re-affirmed
Fund-based – Term Loan	Rs. 0.56 crore	[ICRA]B+ re-affirmed
Non-fund based – ILC/FLC/BG	Rs. 2.00 crore	[ICRA]A4 re-affirmed

ICRA has reaffirmed the long-term rating assigned to the Rs. 4.00-crore<sup>1</sup> cash credit facility and the Rs. 0.56 crore term loan facility of Kalol Steel & Alloys Private Limited (KSAPL)<sup>2</sup> at [ICRA]B+ (pronounced ICRA B plus). ICRA has also reaffirmed the short-term rating assigned to the Rs. 2.00-crore non-fund based facility Kalol Steel & Alloys Private Limited (KSAPL)<sup>3</sup> at [ICRA]A4 (pronounced ICRA A four).

The ratings are constrained by KSAPL's stretched financial position characterised by continuously declining sales since FY2014, owing to fall in steel prices and reduced sales volume. The ratings are further constrained by weak profitability, stretched capital structure and weak debt coverage indicators. The ratings also take into account the highly competitive and fragmented nature of the industry with competition from both unorganised and established players resulting in price competitiveness. The ratings also factor in the vulnerability of the company's profit margins to raw material fluctuations and finished goods prices; the risk is further augmented by high inventory holding and the company's exposure to foreign currency risk as it imports raw materials.

The ratings, however, favourably consider KSAPL's experienced management with long track record in iron and steel business. The rating also favourably considers the operational support from the group concern in terms of easy access of raw material at a competitive price, resulting in freight cost saving.

Going forward, company's ability to effectively manage the working capital cycle and scale up the operations would be a key rating concern.

### Firm Profile

Incorporated in 2010 as a private limited company, Kalol Steel & Alloys Private Limited was promoted by Mr. Satyapal Singhal and family members. The company manufactures Mild Steel Ingots through induction furnace route with an installed capacity of 12500MTPA. The company is also involved in the trading of machinery parts. The manufacturing facility is located at Kalol and the registered office is located in Bhavnagar.

### Recent Results

In FY2016, KSAPL reported an operating income of Rs. 33.10 crore with a net profit of Rs. 0.04 crore.

**December 2016**

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

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