July 31, 2026

Kalyani Steels Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Commercial Paper	50.00	50.00	[ICRA]A1+; reaffirmed	RBI
Total	**50.00**	**50.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI

Rationale

The rating reaffirmation of Kalyani Steels Limited's (KSL or the company) short term rating reflects its healthy operational profile on the back of its strong parent group, being a part of the Kalyani Group, and its established position as a manufacturer of specialty alloy steel products, primarily for the auto industry. ICRA also considers KSL's healthy financial risk profile, supported by its conservative capital structure, comfortable debt coverage metrics and liquidity position.

In FY2026, KSL reported stable operating revenues and operating profit of ~Rs. 1,845 crore and ~Rs. 363 crore, respectively, amid flat realisations and volumes. The leverage and coverage indicators also remained healthy, with total debt to operating profit (TD/OPBDITA) at ~1.3 times and interest coverage of more than 40 times in FY2026. Liquidity remained comfortable, supported by cash and liquid investments of Rs. 818 crore as on March 31, 2026. KSL's performance is closely linked to demand from its key end-user segments, primarily the commercial vehicle industry, which is inherently cyclical. However, ICRA notes that even during periods of contraction in domestic commercial vehicle sales, such as FY2020 and FY2021, the company maintained a healthy operating and financial performance despite some moderation in sales volumes, demonstrating its resilience to cyclical downturns.

The ratings also factor in the company's established selling arrangements with original equipment manufacturers (OEMs). Moreover, around 50% of its sales are to group companies, providing it with an assured customer base. KSL manufactures forging-quality alloy and carbon steel. The rolled products manufactured by KSL are used as raw materials by forging units for the production of components used in the automobile sector. Nearly 70% of KSL's product portfolio is linked to the automobile industry, primarily the commercial vehicle segment. A portion of KSL's products, mainly blooms, is used as raw material by manufacturers of seamless pipes and as cathode collector bars in the electrolysis process of aluminium smelting. However, these segments account for only a small share of KSL's revenues. Consequently, KSL remains exposed, to an extent, to the inherent cyclicality of the automobile industry, which may result in volatility in cash flows. Further, the company remains exposed to fluctuations in raw material prices in the absence of captive mines or long-term linkages.

ICRA notes that Kalyani Steels Limited (KSL) entered into a memorandum of understanding (MoU) with the Government of Odisha in February 2024 for the development of an industrial complex comprising facilities for manufacturing titanium metal, aerospace components, advanced speciality steel and automotive components. As part of the proposed development, the company is currently pursuing the setting up of an integrated steel plant (ISP) in Odisha (for which the final capacity is yet to be announced). The project remains at a relatively nascent stage, with the company having identified a land parcel of around 550 acres and currently being in the process of obtaining the requisite statutory clearances, including forest and environmental approvals. While the management has initiated preliminary discussions with lenders for debt tie-ups, key approvals, financial closure and commencement of construction remain pending. Accordingly, the timely receipt of regulatory clearances, achievement of financial closure and execution of the project, along with their impact on KSL's capital structure, leverage and debt protection metrics, will remain key rating monitorables over the medium term. Nevertheless, comfort is derived from KSL's established operating track record, healthy financial profile and its affiliation with the Kalyani Group.

Key rating drivers and their description

Credit strengths

Strong parent group – KSL is a part of the diversified Pune-based Kalyani Group, promoted by Babasaheb Neelkanth Kalyani. Bharat Forge Limited (BFL; rated [ICRA]AA+ (Stable)/[ICRA]A1+) is the flagship company of the Group, having interests in forging, auto components, speciality steel, infrastructure etc. BFL has a diversified global customer base, including the top five commercial vehicle and passenger vehicle manufacturers in the world, and caters to key global automotive OEMs and tier-I suppliers. Therefore, KSL has an assured customer base, fulfilling majority of the steel requirements of the group companies, including BFL. Moreover, after four decades of experience in alloy steel, KSL has become the preferred supplier for leading national and international OEMs in the automotive, engineering, energy, aluminium smelting and defence sectors.

Healthy financial risk profile characterised by low gearing, comfortable debt coverage and liquidity – KSL's healthy profits and cash accruals, together with its limited debt repayments, continue to support its debt coverage indicators (debt service coverage ratio (DSCR) of ~37 times in FY2026). Calibrated capex in the past, together with low reliance on debt owing to healthy surplus cash accruals, has also helped it maintain a comfortable leverage (total debt/tangible net worth of ~0.2 times as on March 31, 2026 and TD/OPBDITA at 1.3 times for FY2026). ICRA notes that the company is considering setting up an integrated steel plant in Odisha. While, the project is in the initial stages currently and will be executed in a phased manner over the medium term and will be funded through a mix of internal accruals and debt, timely execution and funding tie up, along with impact of this project on leverage and debt coverage metrics of the company will remain a key rating monitorable going forward.

Established relationships with clients, which are reputed players in the domestic auto ancillary industry – KSL has established selling arrangements with approved vendor status from reputed automobile OEMs in the domestic market, such as Tata Motors, Maruti Suzuki India Limited, Hyundai Motor India Limited, Force Motors Limited and Mahindra & Mahindra. The company has long-standing relationships with its clients. KSL also caters to reputed seamless pipes players, such as Maharashtra Seamless Limited and Jindal SAW Limited. The established relationships with its customers and the limited churning in its customer base have ensured significant repeat business from group entities as well as external customers.

Credit challenges

Vulnerable to cyclicality in steel and automobile sectors – KSL's operations remain susceptible to the cyclical downturns in the automobile industry, given its high dependence on the sector, which can also render the company's RoCE volatile. KSL, like other steel manufacturers, is also exposed to the cyclicality inherent in the steel industry. Nevertheless, the risks are mitigated partially by the company's portfolio of speciality steel products, which find application in the auto sector where the margins are typically less volatile than carbon steel products.

Profitability susceptible to volatility in raw material prices – KSL remains exposed to the volatility in iron ore and coking coal prices as the company resorts to the open market to fulfil its requirements.

Environmental and social risks

The steel industry is the one of the largest contributors to air pollution and emissions of carbon dioxide in the world, as primary steelmaking requires coal for reduction process and energy generation. This exposes KSL to the risks of strict regulations or investments in alternative, environment-friendly steelmaking methods and technologies, which may impact its profitability and coverage metrics.

Social risks for KSL, like other ferrous entities, manifest from the health and safety aspects of employees involved in the mining/manufacturing activities. Casualties/accidents at the operating units due to gaps in safety practices could lead to production outages and invite penal action from regulatory bodies. The sector is exposed to labour-related risks and risks of protests/social issues with local communities, which might impact expansion/modernisation plans. Also, the adverse impact of environmental pollution in nearby localities could trigger local criticism. Nonetheless, comfort is drawn from company's efforts in conducting regular safety audits and assessments to ensure enhanced safety requirements.

Liquidity position: Adequate

KSL's liquidity remains comfortable, evident from its cash and liquid investments of ~Rs. 818 crore as on March 31, 2026. Further, low utilisation of the working capital facilities, resulting in an adequate cushion in the recent six months ended May 30, 2026, provides comfort. With expectation of healthy cash flow from operations and sizeable cash and liquid investments, the liquidity is expected to remain comfortable, despite the expected outlay for the proposed expansion capex.

Rating sensitivities

Positive factors – Not applicable.

Negative factors – The rating could witness a downward revision in case of any adverse impact on the revenue/ profitability of the company leading to deterioration in debt protection metrics. Further, any sizeable dividend payout or large capital expenditure adversely impacting the liquidity position of the company can trigger a downward rating revision. Specific credit metric for downgrade includes debt service coverage ratio (DSCR) falling below 2.5 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; As on March 31, 2026 the company had one subsidiary named - DGM Realties Private Limited. However, the same is a non-operating entity. Therefore, for arriving at the ratings, ICRA has considered the standalone financials of KSL.

About the company

Kalyani Steels Ltd (KSL), established in 1973, is a part of the diversified Pune-based Kalyani Group. The company was set up primarily to meet the Group's in-house requirement of steel suitable for forging. Over the years, KSL has become a leading manufacturer of carbon & alloy steel of forging and engineering quality, using the blast furnace route. Although the domestic forging industry is the primary market for KSL, it supplies to manufacturers of various components for commercial vehicles, two-wheelers, diesel engines, bearings, tractors, turbines and railways. Its ~50% of the sales are to the Group companies, including flagship entity Bharat Forge Limited.

Key financial indicators (audited)

KSL Standalone	FY2025	FY2026
Operating income	1,981.2	1,845
PAT	253.0	255.1
OPBDIT/OI	18.8%	19.7%
PAT/OI	12.8%	13.8%

Total outside liabilities/Tangible net worth (times)	0.4	0.42
Total debt/OPBDIT (times)	1.2	1.3
Interest coverage (times)	20.0	42.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: 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

	Current (FY2027)				Chronology of rating history for the past 3 years					
			FY2027		FY2026		FY2025		FY2024	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Commercial paper	Short term	50.00	July 31, 2026	[ICRA]A1+	July 31, 2025	[ICRA]A1+	July 19, 2024	[ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial Paper	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	Financial Sector Regulator#
Yet to be placed	**Commercial Paper**	NA	NA	NA	50.00	[ICRA]A1+	RBI

Source: Company

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Annexure II: List of entities considered for consolidated analysis: Not Applicable

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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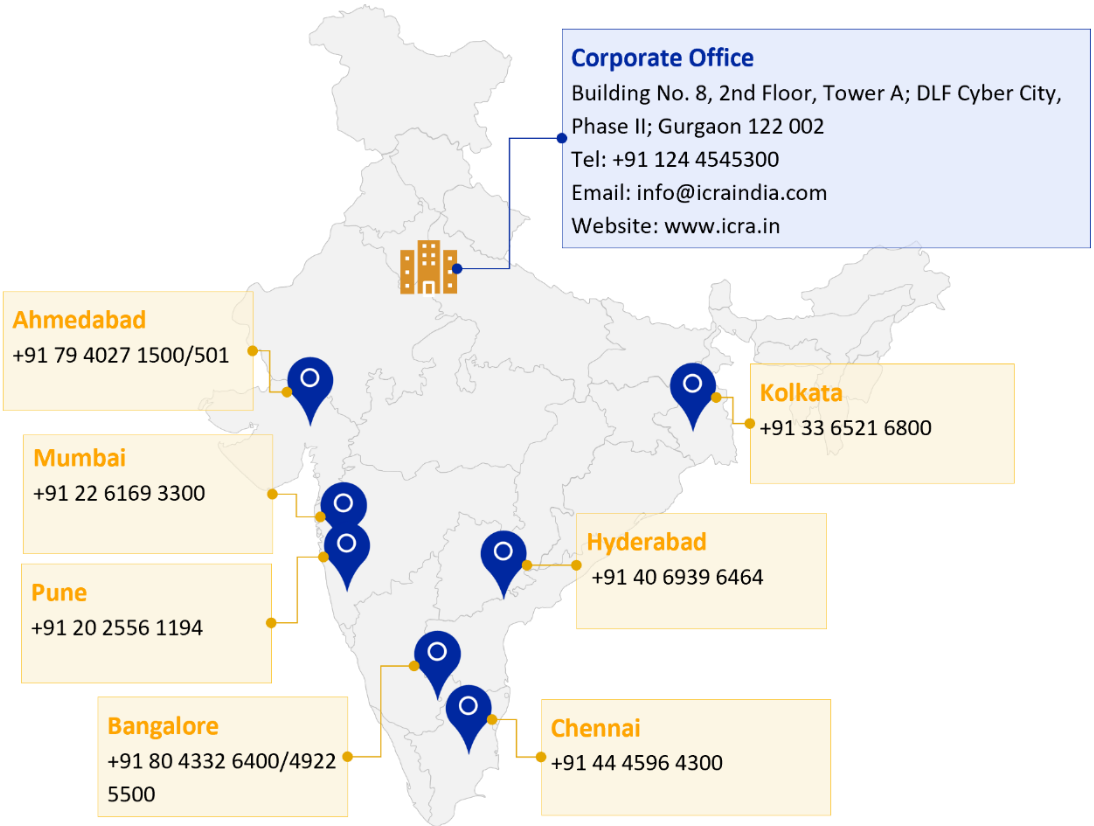

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