KIC Metaliks Limited

January 09, 2025

Facilities	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term bank facilities	103.75 (Reduced from 113.75)	CARE BBB+; Stable	Reaffirmed
Long-term / Short-term bank facilities	25.00	CARE BBB+; Stable / CARE A3+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of KIC Metaliks Limited (KML) continue to derive strength from its experienced promoters, satisfactory capital structure, presence of backward integration and process improvement measures and improvement in capacity utilisation in FY24 (refers to the period from April 01 to March 31) with slight moderation in H1FY25.

The ratings, however, remain constrained with its exposure to commodity price fluctuation risk, cyclicality in the steel industry with intense competition from the unorganized sector with presence in single product segment of the steel value chain and moderation in financial performance in FY24 and H1FY25 with moderation in profitability margins.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- The ability of the company to increase its scale of operations and its operating margin beyond 14% on a sustainable basis.
- Maintenance of overall gearing ratio below 1x and improvement in Total Debt (TD)/PBILDT ratio below 1.5x on a sustained basis.

Negative factors

- Moderation in the average sales realisation from the current levels, on a sustained basis, thereby deteriorating the financial performance of the company.
- Any substantial debt funded capex resulting in deterioration in capital structure with overall gearing going above 1.00x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that entity is likely to sustain its comfortable financial risk profile backed by favourable demand scenario in the near to medium term.

Detailed description of key rating drivers:

Key strengths

Experienced promoters

Radhey Shyam Jalan, CMD of KML, looks after the day-to-day affairs of the company, with support from a team of experienced professionals. He is a Chartered Accountant with more than a decade of experience in iron and coal sector.

Satisfactory capital structure and debt protection metrics

The capital structure of the company is satisfactory marked by overall gearing ratio remaining stable at 0.72x as on March 31, 2024, and March 31, 2023. The same has improved to 0.68x as on September 30, 2024. Going forward, the same is expected to improve further with company prepaying loan equivalent to Rs.3.75 crore in September 2024. The interest coverage ratio witnessed slight deterioration from 3.91x in FY23 to 2.24x in FY24 on account of decline in absolute PBILDT.

With decline in PBILDT, GCA also declined leading to moderation in TDGCA from 3.11x as on March 31, 2023, to 8.10x as on March 31, 2024. Going forward, with expected improvement in GCA, debt protection metrics are expected to improve.

Presence of backward integration and process improvement measures

While iron ore, coke and coal are the basic raw materials for KML, it does not have any captive mines for them. It, however, has facilities to manufacture intermediate feedstock namely sinters from the sinter plant (3,60,000 MTPA). KML has a 4.7 MW waste heat-based power plant for captive consumption to tap the waste gases generated during the production of pig iron and convert it in effective power generation to optimize the power cost. The company also has a Pulverised Coal Injection (PCI) system which helps in improving efficiency in production and reduction of costs.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Improvement in capacity utilization in FY24 with slight moderation in H1FY25
The capacity utilization (CU) of the pig iron plant improved from 69% in FY23 to 90% in FY24 due to heavy demand of pig iron. However, the CU is comfortable at 82% in H1FY25, and the management expects the CU at more than 90% in FY25.

Key weaknesses

Exposure to commodity price fluctuation risk
The raw material (mainly iron ore lumps, coal/coke) is the major cost driver (constituting about ~90% of total cost of sales during FY24) for the company. The prices of iron ore, coal and coke has witnessed sharp volatility in the past making KML's profitability margin susceptible to input price fluctuation. Though, the prices of finished goods move in tandem to that of the raw materials, there is a time lag which exposes the company to commodity price fluctuation risk.

Cyclicality in the steel industry with intense competition from the unorganized sector with presence in single product segment
The steel industry is the end user of KML's product, i.e., pig iron. Hence, the business is highly dependent on the fortunes of the steel industry. The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. The producers of steel construction materials are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in the steel prices.

Moderation in financial performance in FY24 and H1FY25
The total operating income (TOI) witnessed a y-o-y growth of 14% to Rs.854.18 crore in FY24 backed by increase in volume sold of pig iron. Trading sales of coal and coke declined from Rs.40.90 crore in FY23 to Rs.25.13 crore in FY24.
The PBILDT margin deteriorated to 2.87% in FY24 from 5.84% in FY23 due to higher decline in pig iron realisation as against the decline witnessed in the average purchase price (APP) of coke and coal. Also, the APP of iron ore/fines witnessed increase in FY24 compared to FY23.
In H1FY25, despite increase in sales volume, TOI witnessed slight de-growth of 3% y-o-y due to decline in realisation. Further, PBILDT margin stood at 3.28% in H1FY25 compared to 3.75% in H1FY24 on account of decline in average realisation and increase in APP of raw materials. Going forward, with stabilisation of prices, the profitability is expected to improve.

Liquidity: Adequate

The company has an adequate liquidity profile marked by GCA of Rs.16.03 crore vis-à-vis debt repayment obligations of Rs.7.85 crore in FY24. The average utilization of its bank facilities stood at 89.27% for the last 12 months ended November 2024, supported by above unity current ratio. The working capital cycle of the company was comfortable and stood at 64 days in FY24 (55 days in FY23). In FY25, the company is expected to generate sufficient cash accruals against debt repayment obligation of Rs.5.35 crore. Furthermore, the company has prepaid three instalments of its term loan amounting to Rs.3.75 crore in September 2024.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Iron & Steel

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Ferrous Metals	Pig Iron

KML was incorporated on August 26, 1986, as Prudential Marketing Private Limited. The name of the company was later changed to its existing name in September 2003. Currently, KML is engaged in manufacturing of pig iron with an installed capacity of 2,35,000 MTPA (enhanced from 1,65,000 MTPA through de-bottlenecking) in Durgapur and trading of coking coal & Low Ash Metallurgical Coke (LAMC). For manufacturing of pig iron, the company operates a 3,60,000 MTPA Sinter Plant at its existing plant location and a 4.7 MW waste heat-based power plant for captive consumption. Radhey Shyam Jalan, CMD of KML, looks after the day-to-day affairs of company, with support from a team of experienced professionals/staffs.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	749.27	854.18	413.15
PBILDT	43.74	24.53	13.57
PAT	18.55	2.28	1.01
Overall gearing (times)	0.72	0.72	0.68
Interest coverage (times)	3.91	2.24	2.45

A: Audited; UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	95.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	March 2027	8.75	CARE BBB+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	25.00	CARE BBB+; Stable / CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	95.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (15-Jan-24) 2)CARE BBB+; Stable (05-Jan-24)	1)CARE BBB+; Stable (31-Jan-23) 2)CARE BBB+; Stable (30-May-22)	1)CARE BBB+; Stable (01-Dec-21)
2	Non-fund-based - ST-BG/LC	ST	-	-	-	-	1)Withdrawn (29-Sep-22) 2)CARE A3+ (30-May-22)	1)CARE A3+ (01-Dec-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
3	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (01-Dec-21)
4	Fund-based - LT-Term Loan	LT	8.75	CARE BBB+; Stable	-	1)CARE BBB+; Stable (15-Jan-24) 2)CARE BBB+; Stable (05-Jan-24)	1)CARE BBB+; Stable (31-Jan-23) 2)CARE BBB+; Stable (30-May-22)	-
5	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	25.00	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB+; Stable / CARE A3+ (15-Jan-24) 2)CARE BBB+; Stable / CARE A3+ (05-Jan-24)	1)CARE BBB+; Stable / CARE A3+ (31-Jan-23) 2)CARE BBB+; Stable / CARE A3+ (30-May-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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