September 29, 2026

Kanishk Steel Industries Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Long-term – Fund-based – Cash credit	30.00	30.00	[ICRA]BB+ (Stable); reaffirmed	RBI
Short-term – Non-fund based - Others	41.00	41.00	[ICRA]A4+; reaffirmed	RBI
Long term/Short term – Unallocated	20.50	20.50	[ICRA]BB+(Stable)/[ICRA]A4+; reaffirmed	RBI
Total	**91.50**	**91.50**		

**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 reaffirmation of the ratings factors in Kanishk Steel Industries Limited's (KSIL) established presence in the steel industry, supported by its operational track record of over three decades, moderately backward-integrated manufacturing operations and established customer base. The ratings also consider the stabilisation of KSIL's expanded billet and rolling mill capacities and the commissioning of the 10.2-MW captive solar power plant in September 2025, which is expected to support operating efficiencies and power cost savings. Further, KSIL reported an improvement in its scale of operations in FY2026, with revenues increasing to Rs. 406.6 crore from Rs. 360.0 crore in FY2025, supported by higher sales volumes, while operating margins remained stable at 4.1% despite higher power costs.

The ratings, however, remain constrained by KSIL's exposure to raw material price and forex rate fluctuations, given the raw-material-intensive nature of its operations and part of its scrap requirement being imported. Also, the inherent cyclicality of the steel industry, along with KSIL's dependence on the South Indian market, increases its vulnerability to demand-supply dynamics. Further, intense competition in a fragmented and commoditised structural steel market continues to limit pricing flexibility, keeping profit margins under pressure.

ICRA notes that the 10.2-MW captive solar power plant, which achieved commercial operations in September 2025, has certain outstanding capex-related financial liabilities that do not have a defined repayment schedule. However, a portion of the savings from captive power generation is expected to be utilised towards repayment of these outstanding liabilities, which could constrain liquidity build-up over the near term, particularly if operating margins moderate.

The Stable outlook reflects ICRA's expectation that KSIL will maintain its earnings profile, liquidity position and debt coverage metrics, supported by stable operating performance.

Key rating drivers and their description

Credit strengths

Established track record in steel business - KSIL has an established presence in the structural steel industry, supported by an operational track record of over three decades. The company's longstanding presence in the sector has enabled it to sustain its operations across steel industry cycles and build operational capabilities over time.

Moderately backward-integrated operations - KSIL benefits from its moderately backward-integrated operations, supported by captive facilities for the production of MS billets and power. KSIL has an installed billet manufacturing capacity of 100,000 MT and a rolling mill capacity of 90,000 MT. The company's billet requirements are largely met through captive production,

providing greater control over raw material availability and production costs. Further, the company also has captive renewable power capacity comprising 10.2 MW of solar and 5.3 MW of wind capacity, along with other group captive facilities, which meet a part of its overall power requirement and enable power cost savings. The commissioning of the 10.2-MW captive solar power plant in September 2025 is expected to further strengthen operating efficiency.

Established customer base - The company's client profile comprises reputed players like Bharat Heavy Electricals Limited (BHEL) among others. ICRA derives comfort from KSIL's track record of a consistent order flow from its customer base, supporting its overall earnings over the years.

Credit challenges

Margins susceptible to fluctuations in raw material prices and foreign exchange rates; exposed to cyclicality in industry - KSIL's profitability remains exposed to fluctuations in raw-material prices, given the raw material intensive nature of its operations. Raw materials and consumables have accounted for ~80% of its operating income over the last two fiscals ended FY2026. The company also imports a portion of its scrap requirement, exposing it to foreign exchange fluctuations, although the risk is partly mitigated through short-term hedging. Further, the inherently cyclical nature of the domestic steel industry exposes KSIL to volatility in demand, realisations and cash flows.

High geographical concentration risk - KSIL's operations are geographically concentrated, with ~ 95% of its revenues derived from Tamil Nadu. Although the company benefits from its established dealer network and longstanding presence in the state, a slowdown in steel demand in its key addressable markets could result in an overall decline in its earnings.

Intense competition from highly fragmented and commoditised steel market - KSIL operates in the structural steel segment, which is characterised by intense competition, limited product differentiation and the presence of numerous organised and unorganised industry players. The commoditised nature of structural steel products limits the company's pricing flexibility and its ability to pass on increases in raw material costs.

Environmental and social risks

Environmental considerations – Steel manufacturing is an energy-intensive process that requires substantial use of fossil fuels, resulting in greenhouse gas emissions, industrial waste generation and environmental pollution. Increasing regulatory requirements to reduce greenhouse gas emissions and stricter air pollution standards may push up costs for steel manufacturers in the medium term. This, in turn, leads to a greater focus on reducing the carbon footprint through various technological interventions, such as expanding the share of renewables in the energy mix etc. KSIL has added 10.2 MW of captive solar assets to its portfolio in addition to its existing 5.3 MW wind energy capacity, enhancing its energy efficiency and expanding the share of renewables in its energy mix.

Social considerations – Social risks for steel manufacturers arise from the health and safety concerns of employees involved in manufacturing activities. Casualties or accidents at operating units due to gaps in safety practices could lead to production outages and invite penal action from regulatory bodies. The sector is also exposed to risks related to labour issues and protests by local communities, which might impact expansion or modernisation plans. Additionally, the adverse impact of environmental pollution in nearby localities could trigger local criticism. The steel industry, therefore, must navigate these social risks carefully to maintain operational stability and community relations.

Liquidity position: Adequate

KSIL's liquidity is adequate, supported by stable cash flow from operations. The average utilisation of the sanctioned cash credit facility of Rs. 30 crore was ~89% during the 15-month period ended June 2026. Liquidity is further supported by the availability of an additional purchase invoice financing facility of Rs. 20.5 crore, the average utilisation of which remained low at ~16% during the same period. Further, the outstanding solar capex-related financial liabilities do not carry a defined repayment schedule, providing flexibility to align repayments with cash flow generation and liquidity availability. However, any repayments materially higher than the power cost savings, particularly in the event of weaker-than-expected operating performance or cash flow generation, could exert pressure on the company's liquidity profile.

Rating sensitivities

Positive factors – ICRA may upgrade KSIL's ratings if the company significantly improves its earnings and profit margins while maintaining comfortable debt coverage metrics and improving its liquidity position.

Negative factors – ICRA may downgrade KSIL's ratings if company's earnings decline on sustained basis resulting in deterioration in its current liquidity position. A specific credit metric for downgrade would be the interest coverage decreasing 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

About the company

KSIL, incorporated in 1995, manufactures structural steel products. The company has an installed rolling mill capacity of 90,000 tons per annum (TPA) and billet manufacturing capacity of 1,00,000 TPA. Further, it has captive solar and wind plants of 10.2 MW and 5.3 MW, respectively, which meet part of its power requirement. KSIL is part of the OPG Group of companies, which is involved in the steel and power businesses.

Key financial indicators (Audited)

KSIL	FY2025	FY2026	Q1FY2027*
Operating income	360.0	406.6	87.4
PAT	8.3	5.1	1.5
OPBDIT/OI	4.2%	4.1%	4.9%
PAT/OI	2.3%	1.3%	1.7%
Total outside liabilities/Tangible net worth (times)	0.7	0.6	-
Total debt/OPBDIT (times)	1.7	1.7	-
Interest coverage (times)	3.8	2.5	3.6

*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; * Unaudited*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Sep 29, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	30.00	[ICRA]BB+ (Stable)	Jun 06, 2025	[ICRA]BB+ (Stable)	Nov 19, 2024	[ICRA]BBB- (Stable)	Sep 25, 2023	[ICRA]BBB- (Stable)
Term loan	Long term	-	-	-	-	Nov 19, 2024	[ICRA]BBB- (Stable)	Sep 25, 2023	[ICRA]BBB- (Stable)
Non-fund based facilities	Short term	41.00	[ICRA]A4+	Jun 06, 2025	[ICRA]A4+	Nov 19, 2024	[ICRA]A3	Sep 25, 2023	[ICRA]A3
Unallocated	Long Term/ Short term	20.50	[ICRA]BB+ (Stable)/ [ICRA]A4+	Jun 06, 2025	[ICRA]BB+ (Stable)/ [ICRA]A4+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Cash credit	Simple
Short-term – Non-fund based - Others	Simple
Long term/Short term – Unallocated	Not Applicable

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 in Rs. crore	Current rating and outlook	Financial Sector Regulator#
NA	**Cash credit**	NA	NA	NA	30.00	[ICRA]BB+ (Stable)	RBI
NA	**Non-fund based facilities**	NA	NA	NA	41.00	[ICRA]A4+	RBI
NA	**Unallocated**	NA	NA	NA	20.50	[ICRA]BB+ (Stable)/ [ICRA]A4+	RBI

Source: Company

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

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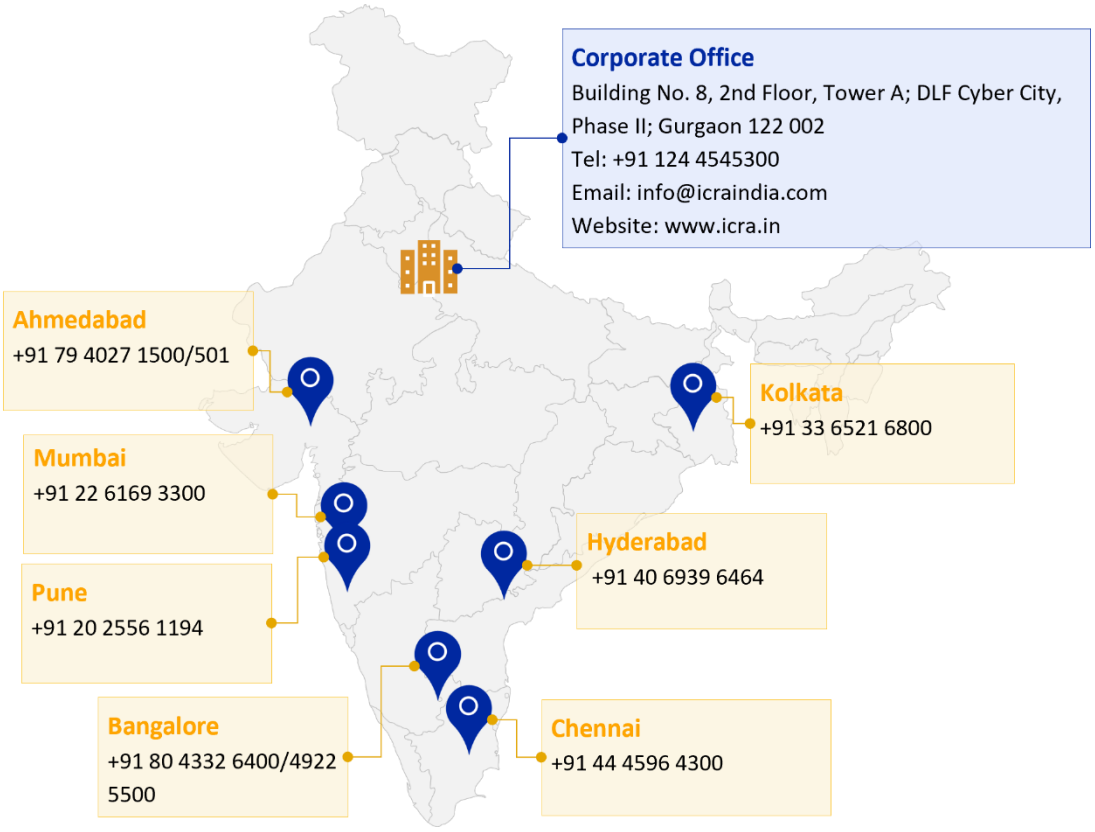

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