



Press Release

Kanwar Enterprises Private Limited

May 23, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	158.61	IVR BBB/ Stable (IVR Triple B; with Stable Outlook)	Assigned	Simple
Total	158.61	Rupees One Hundred Fifty Eight Crore and Sixty One Lakh Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long-term rating of IVR BBB with a Stable outlook for the bank loan facilities of Kanwar Enterprises Private Limited (KEPL).

The rating draws comfort from the established track record of operations and experienced management, reputed clientele, healthy order book and improved financial risk profile during FY2022 (Provisionals). However, these strengths are partially offset by tender based nature of business, decline in debt protection metrics and susceptibility of operating margin to volatile input prices.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes KEPL's business risk profile will be maintained over the medium term as it has reputed clientele and healthy order book position which provides revenue visibility. The industry outlook is also improving led by the government of India making steady progress in infrastructure growth and development.

IVR has principally relied on the standalone audited financial results of KEPL upto 31 March 2021, FY2022 provisional certified results and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations and EBITDA margins above 17%
- Improvement in debt protection metrics
- Sustenance of the overall gearing below 0.80x



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Downward Factors

- Significant reduction in the scale of operations and profitability margins,
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**
The company commenced its operations in 2005 and has a successful track record of around two decades in the existing line of business. Overall activities of KEPL are managed by two directors with Mr. Kanwar Pal Singh being the Managing Director. He has experience of more than 24 years in the EPC business. The directors are ably supported by qualified and well experienced management team. Over the years they have built strong relationships with customers and suppliers.
- **Demonstrated track record with proven project execution capability:**
KEPL has long track record of around two decades in EPC segment. Over the years of its operation the company has gradually established its credentials and successfully executed many projects. In order to manage the projects in a better way and to grow in a balanced way, the company has a policy to take up short to medium term projects (12-36 months) and handle limited number of projects at a time to ensure timely completion. The repeat orders received from its clientele validate its construction capabilities.
- **Reputed clientele:**
The company is dealing with government and private clients namely Bharat Heavy Electricals Limited (BHEL), NTPC Limited (NTPC), GE Power India Limited (GPIL), Tata Power Company Ltd (TPCL), Doosan Power Limited (DPL), Tata Projects Limited (TPL), BGR Energy Systems Limited (BESL) etc. The company has been associated with most of the key clients for a long time, and the successful execution of the projects has also helped it in getting repeat orders. Due to reputed client profiles, the company has low counterparty credit risk although at times, there can be delays in the realisation of some bills.
- **Improved financial risk profile:**
The tangible networth improved to Rs. 85.16 crore in FY2022 (Provisional) from Rs. 73.88 crore in FY2021. The total operating income (TOI) improved by ~8.74% to Rs. 261.15 crore in FY2022 (Provisional) from Rs. 240.15 crore in FY2021. The operating profit and net profit improved to Rs. 38.02 crore and Rs. 11.55 crore respectively, in FY2022 (Provisional) as compared to Rs. 35.30 crore and Rs. 9.45 crore respectively in FY2021.



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- **Healthy order book:**

The company has a healthy unexecuted order book position to the tune of about Rs 1,428.41 crore which is to be executed by FY2024, thereby providing a moderate revenue visibility for FY2023 and FY2024. The company is expected to add orders of Rs. 185-200 crore over the near term, which will further strengthen its order book position and the revenue visibility.

Key Rating Weaknesses

- **Decline in debt protection metrics:**

In terms of the debt protection metrics, the interest service coverage ratio (ISCR) declined to 3.75x in FY2022 (Provisional) as compared to 3.91x in FY2021, and the debt service coverage ratio (DSCR) declined to 1.12x in FY2022 (Provisional) as compared to 1.33x in FY2021. Gearing marginally declined to 1.37x in FY2022 (Provisional) from 1.34x in FY2021.

- **Tender based nature of business:**

The company is mostly getting its orders through tenders floated by various government departments. As the infrastructure industry is highly fragmented due to presence of many organized and unorganized players tender driven nature of business leads to volatility in revenue and profitability. Further, being in infrastructure segment the company is exposed to inherent risks associated in this industry like slowdown in new order inflows, risks of delays in execution etc.

- **Susceptibility of operating margin to volatile input prices:**

The company's operating margins are susceptible to volatility in prices of raw materials, although the same risk has been mitigated to some extent with the presence of price escalation clause.

Analytical Approach: For arriving at the ratings, IVR has analysed KEPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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Liquidity – Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks/NBFC's, amounting to Rs. 35.96 crore, as on 31 March 2022. Against a current portion of long-term debt (CPLTD) of Rs 23.21 crore in FY2022, the company had a cash accrual of Rs. 26.88 crore in FY2022. The company projected to generate cash accruals of Rs. 46.89 crore in FY2023 against a CPLTD of Rs. 23.40 crore. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

About the Company

Kanwar Enterprises Private Limited (KEPL) was originally established as a sole proprietorship concern in the year 1997 to carry out various construction contracts and later in July 2005, the sole proprietary concern was taken over in continuity by KEPL. It is promoted by two directors namely, Mr. Kanwar Pal Singh and Mrs. Jatinder Kaur. The company is engaged in the construction business of executing orders involving ash dykes, tailing dam, grading, plant civil works, railway siding work, earth work, road work, deep excavation, hard rock cuttings, blasting operations, land development, industrial building (civil work) and various other infrastructure jobs for both private organizations and government departments. It is an ISO 9001:2008 certified organization. It currently operates in PAN India.

Financials (Standalone):

For the year ended as on	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	240.15	261.15
EBITDA	35.30	38.02
PAT	9.45	11.55
Total Debt	85.09	98.78
Tangible Network	73.88	85.16
EBITDA Margin (%)	14.70	14.56
PAT Margin (%)	3.90	4.36
Overall Gearing Ratio (x)	1.34	1.37

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable



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Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based	Long Term	158.61	IVR BBB/Stable (Assigned)	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	20.00	IVR BBB/Stable
Proposed Cash Credit/OD	-	-	-	2.00	IVR BBB/Stable
GECL Term Loan-1	-	-	June 2025	1.99	IVR BBB/Stable
GECL Term Loan-2	-	-	November 2027	1.00	IVR BBB/Stable
GECL Term Loan-3	-	-	August 2026	0.87	IVR BBB/Stable
Bank Guarantee*	-	-	-	132.75	IVR BBB/Stable

*BG Tenor is more than 12 months.

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Kanwar-Enterprises-May22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).