



Press Release

Kanwar Enterprises Private Limited

September 06, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	131.83	IVR BBB/ Stable (IVR Triple B; with Stable Outlook)	IVR BBB/ Stable (IVR Triple B; with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	24.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	155.83	Rupees One Hundred Fifty Five Crore and Eighty Three Lakh Only			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed long-term rating at IVR BBB with a Stable outlook and short-term rating at A3+ for the bank loan facilities of Kanwar Enterprises Private Limited (KEPL).

The rating continues to draw comfort from the established track record of operations and experienced management, reputed clientele, comfortable order book and comfortable financial risk profile during FY2024 (Provisional). However, these strengths are partially offset by tender based nature of business, decline in scale of operations and profitability margin 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.

IVR has principally relied on the standalone audited financial results of KEPL upto 31 March 2023, FY2024 (refers to period April 1st, 2023, to March 31, 2024) provisional certified results and projected financials for FY2025, FY2026 and FY2027, and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations with TOI above Rs. 360 crore and EBITDA margins
- Improvement in debt protection metrics
- Sustenance of the overall gearing below 0.80x

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 25 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), Industrial Energy Limited (IEL), RSPL Limited, Jindal Stainless Limited (JSL), Jindal Steel & Power Limited (JSPL) 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 realization of some bills.

- **Comfortable debt protection metrics and financial risk profile:**



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In terms of the debt coverage indicators, the interest service coverage ratio (ISCR) and the debt service coverage ratio (DSCR) stood comfortable at 4.44x and 1.07x in FY2024 (Provisional). The tangible networth improved to Rs. 109.94 crore in FY2024 (Provisional) from Rs. 97.47 crore in FY2023 mainly on account of retention of profits. The overall gearing remained comfortable at 0.99x in FY2024 (Provisional).

- **Comfortable order book:**

The company has a healthy unexecuted order book position to the tune of about Rs 848.80 crore which is to be executed by FY2026, thereby providing a moderate revenue visibility for FY2025 and FY2026. The company is expected to add orders of Rs. 100-150 crore over the near term, which will further strengthen its order book position and the revenue visibility.

Key Rating Weaknesses

- **Decline in scale of operations and profitability margin:**

The total operating income marginally declined by 5.47% to Rs. 260.01 crore in FY2024 (Provisional) from Rs. 275.06 crore in FY2023. The operating profit margin has declined to 15.29% in FY2024 (Provisional) from 16.07% in FY2023 due to decline in TOI.

- **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.



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Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks amounting to Rs. 44.91 crore, as on 31 March 2024 (Provisional). Against a current portion of long-term debt (CPLTD) of Rs 25.09 crore in FY2023, the company had a cash accrual of Rs. 27.33 crore in FY2024. The company projected to generate cash accruals of Rs. 30.28 crore in FY2025 against a CPLTD of Rs. 27.38 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.



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Financials (Standalone):

(Rs. crore)

For the year ended as on	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	275.06	260.01
EBITDA	44.20	39.76
PAT	13.93	13.17
Total Debt	119.46	108.75
Tangible Networkth	97.47	109.94
EBITDA Margin (%)	16.07	15.29
PAT Margin (%)	5.04	5.02
Overall Gearing Ratio (x)	1.23	0.99
interest Service Coverage Ratio (x)	3.82	4.44

Status of non-cooperation with previous CRA: It is under ISSUER NOT COOPERATING with CARE Ratings via press release dated 19th December 2023 and Brickwork Ratings via press release dated 28th February 2024 on account of non-availability of requisite information from the company.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 10 Aug 2023	Date(s) & Rating(s) assigned in 2022-23 23 May 2022	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based	Long Term	17.83	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	-
2.	Non-Fund Based	Long Term	114.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	
3.	Fund Based	Short Term	24.00	IVR A3+	IVR A3+	-	-



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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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	-	-	-	16.00	IVR BBB/Stable
Bill Discounting (BD)	-	-	-	6.00	IVR A3+
GECL Term Loan-1	-	-	June 2025	0.59	IVR BBB/Stable
GECL Term Loan-2	-	-	November 2027	0.77	IVR BBB/Stable
GECL Term Loan-3	-	-	August 2026	0.47	IVR BBB/Stable
Bank Guarantee*	-	-	-	114.00	IVR BBB/Stable
Proposed BD	-	-	-	18.00	IVR A3+

*BG Tenor is more than 12 months.

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-kanwar-sep24.pdf>

Annexure 3: Detailed explanation of covenants of the rated securities/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis: Nil

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 www.infomerics.com.