



Press Release

Knest Manufacturers Private Limited (KMPL)

September 03rd, 2024

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	74.79 (Enhanced from Rs. 44.79 crore)	IVR BBB+/ Stable [IVR Triple B Plus with Stable Outlook]	IVR BBB+/ Stable [IVR Triple B Plus with Stable Outlook]	Reaffirmed	Simple
Short term Bank Facilities	80.41 (Enhanced from Rs. 65.41 crore)	IVR A2 [IVR A Two]	IVR A2 [IVR A Two]	Reaffirmed	Simple
Proposed Long Term Bank Facilities	0.80	IVR BBB+/ Stable [IVR Triple B Plus with Stable Outlook]	IVR BBB+/ Stable [IVR Triple B Plus with Stable Outlook]	Reaffirmed	Simple
Total	Rs.156.00 crore (Rupees One hundred and fifty-six Crore Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has reaffirmed the rating assigned to the bank facilities of KMPL. Further the rating continues to derive comfort from the sustained improvement in total operating income and expected to grow further with strong order book, healthy profitability margins, comfortable capital structure, strong debt protection metrics and experienced and qualified promoters. The rating strengths are, however, constrained by moderate working capital cycle and foreign exchange fluctuation risk.

The Stable Outlook reflects expected growth in revenue and profitability with strong order book and expectations of stable debt protection metrics over FY25-FY27.



Press Release

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and profitability while maintaining current debt protection metrics and generation of positive cash flow from operations on a sustained basis.

Downward Factors

- Sustained decline in revenue and profitability and/or deterioration in working capital cycle and/or any unplanned debt fund led capex leading to deterioration in credit profile and the liquidity position.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Sustained improvement in total operating income and expected to grow further with strong order book.

KMPL's revenue has increased by 52% on y-o-y basis to Rs.630.42 crore as per provisional FY24 (refers to period from April 1st, 2023, to March 31st, 2024) driven by increase in volume of goods sold along with higher sales realization. This growth is attributed to product improvisation which includes after sales services and added safety measures technology which enhance the quality and safety of the products which allows KMPL to command some price premium which improves the realization. Infomerics expects revenue growth to remain moderate with strong unexecuted order book position as on date June 30th, 2024, of Rs.728.94 crore (1.15x of FY24 prov. Revenue) which is expected to execute in next six months.

Healthy Profitability

KMPL's EBITDA margin has improved significantly to 16.06% as per provisional FY24 (FY23: 10.69%), due to operating leverage and KMPL has gained significant market share in last two years in the key operating market, which improve the overall gross profitability. This strategic focus on market positioning is expected to result in improved higher margins for the company and providing a buffer against fluctuations in raw material prices. Infomerics expects EBITDA margins to remain in the range of 17% to 18% over FY25-FY27 due to better market positioned and improved quality of the products which drives demand. PAT margin also improved to



Press Release

9.06% as per provisional FY24 (FY23: 5.93%) due to healthy EBITDA margins despite increase in interest expenses.

Comfortable capital structure:

KMPL has unsecured loans from promoters and related parties of Rs.9.50 crore in FY24 provisional which is subordinated to the bank loans, and Infomerics has treated as a quasi-equity. The tangible net worth including quasi equity has improved to Rs.101.23 crore as on March 31st, 2024, as against Rs.50 crore as on March 31st, 2023. The capital structure of KMPL marked by overall gearing ratio & TOL/TNW has improved significantly to 0.74x and 2.92x respectively as on March 31st, 2024 (vis-à-vis 0.57x and 3.70x respectively as on March 31, 2023) due to healthy accretion of profits to reserves despite slight increase in debt levels. Infomerics expects gearing to improve further from FY25 onwards with expected improvement in profitability and absence of debt led capex plans.

Strong debt protection metrics

KMPL's debt protection metrics remains strong with interest coverage stood at 18.24x at the end of FY24 (P) (FY23: 16.89x) this stability was due to maintenance of healthy gross profitability margins. Total debt / NCA stood at 1.26x in FY24 (P) (FY23: 1.02x). Total debt of KMPL's stood at Rs.84.25 crore out of which working capital accounted for Rs.61.00 crore and remaining is long term debt of Rs.23.25 crore. The low debt levels and rise in operating profits supported the strong debt protection metrics, with estimated Total debt/NCA at 0.96x and DSCR at 13.89x in FY2025. The debt protection metrics are likely to remain comfortable in the medium term.

Experienced and qualified promoters

KMPL is promoted by Mr. Nitin Mittal, Mr. Prashant Agarwal and Mr. Ashish Agarwal. The promoters have an average experience of more than a decade in diverse industry viz. real estate development, trading of aluminium and printing.



Press Release

B. Key Rating Weaknesses

Moderate working capital cycle

KMPL's net operating cycle stood moderate at 69 days as per provisional FY24 as compared to 68 days in FY23 due to higher inventory days, as the company needs to maintain a substantial work-in-process inventory ranging from 45 to 50 days, depending on the complexity of the designs. Furthermore, as per management KMPL needs to hold a one month inventory buffer to cater to the diverse demands of its customer base. Receivable days stood at 32 days in FY24 (P) (FY23: 22 days), although inventory and receivable days remain stable due to nature of projects.

Foreign exchange fluctuation risk

KMPL is exposed to foreign exchange fluctuation risk as it imports ~33% of total purchases from China & Dubai in FY24. The company does not adopt hedging mechanism as it doesn't have banking limits for the same thus, the foreign exchange fluctuation risk continues to persist due to timing differences and volatility in the dollar prices.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing companies](#)

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

[Criteria on Default Recognition](#)

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

Liquidity: Adequate

The liquidity profile of KMPL is adequate with expected to generate gross cash accruals in the range of Rs. ~92 crore to Rs. ~120 crores as against the repayment obligation of Rs.2 crore to Rs.4.00 crore over FY25 and FY26. The current ratio stood at 1.14x as on March 31st, 2024 (March 31st, 2023: 1.18x); while quick ratio remains moderate at 0.56x (March 31st, 2023: 0.54x). The average fund-based bank limit utilization in the last 12 months ended June 30th, 2024, stood at 61%, the liquidity position of the company stood adequate. DSCR of the KMPL stood comfortable at 11.98x in FY24 provisional improved from 10.02x in FY23. Cash flow from operation are also positive at Rs.23.69 crore as per provisional FY24.

About the company



Press Release

KMPL was established in 2015 as a Limited Liability Partnership firm. It has been converted into private limited as on December 05th, 2023. KMPL engaged in the business of manufacturing of aluminium formwork (replacement for timber formwork), which mainly find the application in the real estate industry, this helped the real estate sector to reduce dependability on manpower in significant manner and at the same point of time in achieving cost effectiveness. KML is one of the leading providers in modular aluminium formwork in India, operating out of three acres of the art, design and manufacturing facility located in Talegaon, Pune with an installed capacity to manufacture 7,75,000 square meters of formwork per annum, which is utilized around 75% during FY24.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Provisional)
Total Operating Income	413.61	630.42
EBITDA	44.20	101.24
PAT	24.61	57.32
Total Debt	28.62	74.75
Tangible Net Worth	20.00	91.73
EBITDA Margin (%)	10.69	16.06
PAT Margin (%)	5.93	9.06
Overall Gearing Ratio (x)	2.93	0.92
Interest Coverage (x)	16.89	18.24

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil



Press Release

Rating History for last three years:

Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
Long term Bank Facilities	Long Term	74.79 (Enhanced from Rs. 44.79 crore)	IVR BBB+/Stable	(July 31, 2024) IVR BBB+/Stable	(Aug 17, 2023) IVR BBB/Stable (Nov 10, 2023) IVR BBB/Stable	(July 12, 2022) IVR BBB-/Stable
Short term Bank Facilities	Short Term	80.41 (Enhanced from Rs. 65.41 crore)	IVR A2	(July 31, 2024) IVR A2	(Aug 17, 2023) IVR A3+; (Nov 10, 2023) IVR A3+;	(July 12, 2022) IVR A3;
Proposed Long Term Bank Facilities	Long Term	0.80	IVR BBB+/Stable	(July 31, 2024) IVR BBB+/Stable	(Aug 17, 2023) IVR BBB/Stable (Nov 10, 2023) IVR BBB/Stable	(July 12, 2022) IVR BBB-/Stable

Name and Contact Details of the Rating Analyst:

Name: Amey Joshi

Tel: (022) 62396023

Email: amey.joshi@infomerics.com



Press Release

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy, or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most 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.



Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – GECL Loan	--	--	Sep-2026	0.95	IVR BBB+/ Stable
Long Term Bank Facilities – Working Capital Term Loan	--	--	Sep-2024	0.30	IVR BBB+/ Stable
Long Term Bank Facilities – Term Loans	--	--	Aug-2025	2.24	IVR BBB+/ Stable
Long Term Bank Facilities – Vehicle Loan	--	--	Feb-2028	0.30	IVR BBB+/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	30.00	IVR BBB+/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	3.00	IVR BBB+/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	1.00	IVR BBB+/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	25.00	IVR BBB+/ Stable
Long Term Bank Facilities – Working Capital Demand Loan	--	--	Revolving	12.00	IVR BBB+/ Stable
Short Term Bank Facilities – Letter of Credit	--	--	--	5.00	IVR A2;
Short Term Bank Facilities – Letter of Credit	--	--	--	16.00	IVR A2;
Short Term Bank Facilities – Letter of Credit	--	--	--	30.00	IVR A2;
Short Term Bank Facilities – Letter of Credit	--	--	--	29.00	IVR A2;
Short Term Bank Facilities – Bank Guarantee	--	--	--	0.41	IVR A2;
Proposed	--	--	--	0.80	IVR BBB+/ Stable



Press Release

Annexure 2: Facility wise lender details:

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

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

Annexure 4: List of companies considered for consolidated analysis: 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 www.infomerics.com.