Rating Rationale

KN Engineering Works Pvt Ltd

29 Oct 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 15.00 Crores of KN Engineering Works Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Export Credit (PCL/FDBP/FUDBP) Bill Discounting (LC backed) Bank Guarantee	 8.00 2.00 5.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	**15.00**	**INR Fifteen Crores Only**	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon audited results upto FY18, Projections upto FY19, publicly available information and information/clarifications provided by the management and company.

The rating draws comfort from experienced promoters, strong debt protection metrics and moderate profitability margins. The rating, however is constrained by high overall gearing and inherent challenges in the industry and declining revenue.

Going forward ability of the company to improve its scale of operations, profitability margins, maintaining gearing level, continuity of orders, getting timely payment, management of cash flows for servicing debt obligations and improvement in overall financial risk profile shall be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- ***Experienced Promoters***: Entity is currently being managed by director Mr Anjan Nandi who has more than three decades of experience in the same line of business and has gained thorough knowledge of the market.

- ***Strong Debt protection metrics*: For FY18, coverage ratios such as DSCR(Debt Service Coverage Ratio) and ISCR (Interest Service Coverage Ratio) stood at 9.00X and 11.56X respectively.

- ***Moderate Profitability Margins*: Profitability margins such as Operating margin and Net Profit Margin stood at 11.52% and 3.08% for FY18.

Credit Risks:

- **High Overall Gearing:** For FY18, Overall gearing (TOL/TNW) stood at High of 8.11X due to low capital base and High Payables.

- ***Inherent challenges in the Industry and declining Revenue:*** For FY-17, business was conducted in the name of firm M/S KN Engineering works and from 1.04.2018 partners transferred their business to company K. N. engineering Works Private Limited. Due to cyclical nature of the industry and subsequently less orders, during FY18 entity recorded revenue of Rs 24.38 which shows 40% decline of revenue as previously revenue was Rs 41.30 Cr. As per information provided by client, During April 2018 to September 2018 Company has achieved revenue of Rs 32.00 Cr and would likely achieve Rs 60.00 Cr (Approx).

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **KN Engineering Works Pvt Ltd** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues, profitability margins and gearing show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues, profitability margins decline and gearing level deteriorate further.

About the Company

Incorporated in the year 2011, K. N. Engineering Works Private Limited(KNEWPL) is engaged in consultancy, manufacturing and supply of complete rolling mill plant, combustion equipment and Billet Re-heating & Industrial Furnaces. Company has two manufacturing units at Faridabad and Bangalore. Entity is currently being managed by directors Mr Anjan Nandi and Ms. Kavita Nandi.

Company Financial Performance

Key Parameters	Units	2018	2019
Result Type	**Units**	**Audited**	**Projections**
Operating Revenue	₹ Cr	24.59	56.00
EBITDA	₹ Cr	2.83	4.40
PAT	₹ Cr	0.76	3.15
Tangible Net worth	₹ Cr	2.57	10.95
Total Outside Liability/Tangible Net worth	Times	8.11	1.62
Current Ratio	Times	1.11	1.48

Rating History for the last three years

Instrument	Current Rating (2018)			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
Fund Based Export Credit Bill Discounting Bank Guarantee	Short Term	8.00 2.00 5.00	**BWR A4**	**NA**	**NA**	**NA**
Total		**15.00**	**₹ Fifteen Crores Only**			

Status of non-cooperation with previous CRA (if applicable)-NA

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies
- Short Term Debt

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For any other criteria obtain hyperlinks from website

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For print and digital media
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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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