CRISIL Ratings

Rating Rationale

October 25, 2023 | Mumbai

Kanohar Electricals Limited

Ratings reaffirmed at 'CRISIL BBB+/Stable/CRISIL A2'; rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	**Rs.248 Crore (Enhanced from Rs.180 Crore)**
Long Term Rating	**CRISIL BBB+/Stable (Reaffirmed)**
Short Term Rating	**CRISIL A2 (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB+/Stable/CRISIL A2' ratings on the bank facilities of Kanohar Electricals Ltd (KEL).

The rating reflects the established market position of the company driven by extensive industry experience of its promoters and its healthy financial risk profile. These strengths are partially offset by moderate, but improving, scale of operations and declining operating margins.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position of the company:** The promoters have more than 4 decades of experience in the power transmission industry. On back of their experience, the company has evolved into an EPC transmission company from a pure power products manufacturer and has also started undertaking projects for transmission lines and has produced a transformer of 500 MVA in fiscal 2023. Further, customer profile is diversified as the company has worked for various state electricity boards (SEBs), public sector undertakings (PSUs) and private companies across India and has recently added orders from the Indian Railways to its portfolio. This has resulted in its operating income increasing to Rs. 316.6 crore in fiscal 2023 from Rs. Rs. 242.2 crore in fiscal 2022. Further, the company has an outstanding orderbook of Rs. 529.4 crore as on September 1, 2023 which is likely to drive further revenue growth in the medium term.

- **Healthy financial risk profile:** KEL's capital structure has been at healthy level due to lower reliance on external funds yielding gearing of 0.12 time and low total outside liabilities to adj tangible net worth (TOL/ANW) of 0.72 time for year ending on 31st March 2023. As a result of no major debt funded capex expected in the medium term and limited reliance on its fund-based working capital facilities, the company's capital structure is expected to continue to remain comfortable over the medium term. Further, as a result of low reliance on debt, its debt protection measures are also expected to be at a healthy level over the medium term.

Weaknesses:

- **Moderate, but improving, scale of operations:** Though the company's operating income grew healthily, by 34%, in fiscal 2023, its scale of operations continues to remain moderate, constrained by intense competition from various organized and unorganized players in the industry. Further, scalability is also constrained by the tender based nature of operations wherein ability to scale up depends on winning tenders and successful execution thereafter. Going forward, successful buildup of orderbook and its timely execution leading to sustained growth in its revenue will remain a key monitorable.

- **Declining operating margins:** The company's operating margins have declined from 12.3% in fiscal 2022 to 11.1% in fiscal 2023 and further to 7.3% in first quarter fiscal 2024. Seasonality in operations leading to lower execution in first quarter compounded with fragmented nature of industry impacted the profitability. Moreover, the company is able to pass on fluctuations in commodity prices, however, any fluctuation in overhead costs could impact its margins. Going forward sustenance of its operating margins between 11-12% will be a key monitorable.

Liquidity: Adequate

Bank limit of Rs 28 crore was utilised around 38% on average in the 12 months through August 2023. Cash accrual, expected over Rs 28 crore per annum, will sufficiently cover yearly term debt obligation over the medium term. Current ratio was healthy at 2.00 times as on March 31, 2023.

Low gearing and moderate networth support financial flexibility, which will help to withstand adverse conditions or downturns in the business.

Outlook: Stable
CRISIL Ratings believes KEL will continue to benefit from the extensive experience of its promoters and established relationships with clients.

Rating Sensitivity factors
Upward factors

- Sustained improvement in scale of operation and sustenance of operating margin between 11-12% leading to more than expected net cash accrual.
- Efficient working capital management leading to further improvement in financial risk profile and liquidity position.

Downward factors

- Decline in scale of operations/operating margins to below 8-9% leading to lower cash accrual.
- Large debt-funded capital expenditure or a substantial increase in working capital requirements adversely impacting liquidity and its financial risk profile.

About the Company
KEL was promoted by the late Mr Kanohar Lal Singhal in 1971. The company manufactures transformers and gas insulated switchgears. The product profile includes power generation, transmission transformers, industrial and special-purpose transformers. The company also executes turnkey contracts for power transmission projects. It has two manufacturing units at Meerut.

Key Financial Indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	316.59	242.17
Reported profit after tax (PAT)	Rs crore	22.37	18.42
PAT margin	%	7.07	7.65
Adjusted debt / adjusted networth	Times	0.12	0.08
Interest coverage	Times	7.42	8.02

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	50	NA	CRISIL A2
NA	Bank Guarantee	NA	NA	NA	15	NA	CRISIL A2
NA	Bank Guarantee	NA	NA	NA	32	NA	CRISIL A2
NA	Bank Guarantee	NA	NA	NA	70	NA	CRISIL A2
NA	Cash Credit	NA	NA	NA	8	NA	CRISIL BBB+/Stable
NA	Cash Credit	NA	NA	NA	10	NA	CRISIL BBB+/Stable
NA	Cash Credit	NA	NA	NA	5	NA	CRISIL BBB+/Stable
NA	Letter of Credit	NA	NA	NA	5	NA	CRISIL A2
NA	Letter of Credit	NA	NA	NA	10	NA	CRISIL A2
NA	Working Capital Facility	NA	NA	NA	43	NA	CRISIL BBB+/Stable

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	LT	66.0	CRISIL BBB+/Stable		--	01-11-22	CRISIL BBB+/Stable	29-01-21	CRISIL B /Stable(Issuer Not Cooperating)*		--	CRISIL BB+ /Stable(Issuer Not Cooperating)*
			--		--	12-09-22	Withdrawn (Issuer Not Cooperating)*		--		--	--
			--		--	28-03-22	CRISIL B /Stable(Issuer Not Cooperating)*		--		--	--

Non-Fund Based Facilities	ST	182.0	CRISIL A2		--	01-11-22	CRISIL A2	29-01-21	CRISIL A4 (Issuer Not Cooperating)*		--	CRISIL A4+ (Issuer Not Cooperating)*
			--		--	12-09-22	Withdrawn (Issuer Not Cooperating)*		--		--	--
			--		--	28-03-22	CRISIL A4 (Issuer Not Cooperating)*		--		--	--

All amounts are in Rs.Cr.
** - Issuer did not cooperate; based on best-available information*

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	20	HDFC Bank Limited	CRISIL A2
Bank Guarantee	15	State Bank of India	CRISIL A2
Bank Guarantee	12	Axis Bank Limited	CRISIL A2
Bank Guarantee	20	Axis Bank Limited	CRISIL A2
Bank Guarantee	30	HDFC Bank Limited	CRISIL A2
Bank Guarantee	70	State Bank of India	CRISIL A2
Cash Credit	3	Axis Bank Limited	CRISIL BBB+/Stable
Cash Credit	5	Axis Bank Limited	CRISIL BBB+/Stable
Cash Credit	7	HDFC Bank Limited	CRISIL BBB+/Stable
Cash Credit	5	State Bank of India	CRISIL BBB+/Stable
Cash Credit	3	HDFC Bank Limited	CRISIL BBB+/Stable
Letter of Credit	5	State Bank of India	CRISIL A2
Letter of Credit	5	State Bank of India	CRISIL A2
Letter of Credit	5	Axis Bank Limited	CRISIL A2
Working Capital Facility	33	YES Bank Limited	CRISIL BBB+/Stable
Working Capital Facility	10	YES Bank Limited	CRISIL BBB+/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Approach to Recognising Default

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations **CRISIL Limited** M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com **Prakruti Jani** Media Relations **CRISIL Limited** M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com **Rutuja Gaikwad** Media Relations **CRISIL Limited** B: +91 22 3342 3000 **Rutuja.Gaikwad@ext-crisil.com**	Nitin Kansal Director **CRISIL Ratings Limited** D:+91 124 672 2154 nitin.kansal@crisil.com Gaurav Arora Associate Director **CRISIL Ratings Limited** D:+91 22 3342 3977 gaurav.arora@crisil.com Jayesh Ghosh Manager **CRISIL Ratings Limited** B:+91 124 672 2000 Jayesh.Ghosh@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html