

KIE Engineering Private Limited

September 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	7.50	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB+; Stable;
Short Term Bank Facilities	2.00	CARE A4+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A2;

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated March 18, 2024, placed the rating of KIE Engineering Private Limited (KEPL) under the 'issuer non-cooperating' category as KEPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. KEPL continues to be non-cooperative for not submitting the information required for monitoring of the ratings. In line with the extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which, however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The rating on KIE Engineering Private Limited bank facilities will be denoted as CARE BB+/CARE A4+; ISSUER NOT COOPERATING.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

Analytical approach: Standalone

Detailed description of the key rating drivers: At the time of last rating as on March 18, 2024, the following were the rating strengths and weaknesses (based on FY23 (refers to the period from April 01 to March 31) financials as FY24 financials were not available on Ministry of Corporate Affairs website):

Key strengths

Experienced promoters: KEPL is a division of Khandelwal Industrial Group which was established in 1972 focusing on ferrous and brass casting components for industrial as well as household use. Mr. Mohan Khandelwal & his son Mr. Rajnish Khandelwal are both engineering graduates from IIT Roorkee and have industry experience of two decades.

Improved operational performance: Total operating income of the company is consistently growing and stood at Rs. 230.38 crore during FY23 (PY: Rs. 151.48 crore) on account of improved market trends in CV industry which has led to the improvement in the scale of operations. PBILDT margin also improved to 11.66% in FY23 (PY: 11.30%) owing to improvement in scale of operations resulting into better absorption of fixed overheads. Company entered into an agreement with TATA Auto components for supply of brake drums for export market for one year starting from Q2FY23 with quantity of 5000 brake drums per month to 15000 brake drums per month expecting revenue visibility of Rs 90 crore from this agreement. Profitability is further expected to improve on account of economies of scale and reduction in the power and fuel cost post commissioning of solar plant in Solapur unit for captive consumption.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Established Relationship with Reputed OEM albeit customer concentration risk: KEPL has an established relationship with leading commercial vehicle manufacturer's including Ashok Leyland Ltd, Mahindra & Mahindra Ltd. Though, the company has revenue concentration with majority of sales being made to ALL and M&M contributing ~82% of TOI in FY22. However, it has long-standing relation with these companies providing visibility for future growth of business. KIE is the largest supplier to Ashok Leyland and Mahindra in the Northern India. Company has negligible export sales, though, KEPL is focussing on increasing its share in the export market.

Comfortable financial risk profile: Capital structure of the company is satisfactory marked by overall gearing of 0.08x as on March 31, 2023 (PY: 0.14x). The same is backed by low dependence of working capital limits amounting to Rs 7.38 crore with negligible long-term liabilities as against net worth base of Rs 108.10 crore as on March 31, 2023. Debt coverage indicators also stood comfortable marked by Total debt to GCA (TDGCA) of 0.42x and interest coverage of 49.12x as on March 31, 2023 (PY: 0.83x and 26.18x).

Key weaknesses

Low bargaining power with customers and susceptibility of margins to volatility in raw material prices along with forex risk: Iron Scrap is the key raw material comprising ~80% of raw material cost. Overall, raw material consists of about 60-70% of total cost. The metal demand is cyclical with prices driven by demand and supply conditions in the market coupled with strong linkage to the global market. Though, the raw material price risk is mitigated to an extent wherein any revision in the raw material prices is reset by the OEMs based on last billing and change in prices is accommodated with a lag of one quarter.

Fortunes linked with Commercial Vehicle industry which is cyclical in nature: The automobile industry is highly cyclical in nature and automotive component suppliers sales are directly linked to sales of auto OEMs. Furthermore, the auto-ancillary industry is highly competitive with the presence of a large number of players in the organized as well as unorganized sector. While the organized segment majorly caters to the OEM segment, the unorganized segment mainly caters to the replacement market and to tier II and III suppliers. Company's ability to expand itself in the export market remains key monitorable.

Liquidity: Adequate

Current ratio of the company remained above unity from last 5 fiscals and improved to 2.19x (PY: 1.92x) during FY23. Further, working capital cycle also improved to 60 days (PY:76 days) owing to decrease in collection days from 106 in FY22 to 84 in FY23 and inventory days from 27 in FY22 to 19 in FY23.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipments](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Incorporated in 1996, KIE Engineering Private Limited (KEPL) is division of Khandelwal Industrial Group which was established in 1972 focusing on ferrous and brass casting components for industrial as well as household use. The company is engaged in manufacturing of automotive components (mainly brake-drum, clutch plates, flywheel assembly, etc).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	151.48	230.38
PBILDT	17.11	26.85
PAT	10.31	17.22
Overall gearing (times)	0.14	0.08
Interest coverage (times)	26.18	49.12

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	7.50	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-EPC/PSC		-	-	-	2.00	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	7.50	CARE BB+; Stable; ISSUER NOT COOPERATING *	-	1)CARE BBB+; Stable; ISSUER NOT COOPERATING * (18-Mar-24) 2)CARE BBB+; Positive (03-Apr-23)	1)CARE BBB+; Stable (06-Apr-22)	1)CARE BBB+; Stable (08-Apr-21)
2	Fund-based - ST-EPC/PSC	ST	2.00	CARE A4+; ISSUER NOT COOPERATING *	-	1)CARE A2; ISSUER NOT COOPERATING * (18-Mar-24) 2)CARE A2 (03-Apr-23)	1)CARE A2 (06-Apr-22)	1)CARE A2 (08-Apr-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-EPC/PSC	Simple

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated: Not Applicable

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About us:

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