Kalpataru Projects International Limited (Revised)

January 17, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE AA; Stable / CARE A1+; Outlook revised from Negative to Stable and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE AA; Stable; Outlook revised from Negative to Stable and Withdrawn
Commercial Paper	-	-	Reaffirmed at CARE A1+ and Withdrawn
Commercial Paper (Carved out)*	-	-	Reaffirmed at CARE A1+ and Withdrawn
Commercial Paper (Carved out)*	-	-	Reaffirmed at CARE A1+ and Withdrawn
Non-convertible debentures	-	-	Withdrawn
Non-convertible debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.
*carved out of working capital limits

Rationale and key rating drivers

In order to arrive at the ratings assigned to the long-term and short-term bank facilities of Kalpataru Projects International Ltd (KPIL), CARE Ratings Limited (CARE Ratings) has adopted standalone approach while factoring in the equity commitment and support requirement in subsidiaries. The ratings have been reaffirmed at CARE AA and CARE A1+ while the outlook has been revised from Negative to Stable and simultaneously withdrawn the same with immediate effect. This action has been taken at the request of KPIL and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE Ratings. The rating assigned to long term instruments of ₹200 crore and ₹224 crore earlier are now withdrawn at the request of the company as they have been repaid in full and there is no outstanding amount.

The revision in outlook takes the cognizance of equity raising of ₹1,000 crore through Qualified Institutional Placement (QIP) which will aid liquidity and provide working capital support amid stretched current asset days. Furthermore, KPIL in October 2024, has successfully entered into definitive agreement for sale of its entire 100% stake in Vindhyachal Expressway Private Limited (VEPL) for an enterprise valuation of ₹775 crore. KPIL is expected to realize ~₹450 crore from the said transaction and is expected to consummate by September 2025.

The ratings continue to derive strength from its established position in engineering, procurement and construction (EPC) business of diversified segments viz. Transmission and Distribution (T&D), water pipelines & distribution, buildings and factories (B&F), railways, urban infra and oil & gas infrastructure along with healthy order book position rendering strong revenue visibility. The order book is geographically diversified and majority of the overseas projects are backed by funding from multi-lateral agencies. KPIL is also expected to benefit from the favorable demand outlook for T&D segment. The ratings also takes consideration of the healthy growth in the scale of operations during FY24 (refers to the period April 1 to March 31) led by strong execution in T&D and water segment followed by B&F and Urban Infra segment. However, in H1FY25 (refers to the period April 1 to September 30), it reported moderate growth due to slow execution in water segment. The profit before interest, lease rentals, depreciation and tax (PBILDT) margins continued to remain relatively better as compared to peers and stood rangebound at 9 - 9.2% for FY23 and FY24. Going forward, achieving envisaged growth in total operating income (TOI) and profitability is crucial in light of large proportion of order book under nascent stage of execution.

Yet the above rating strengths continue to be partially offset by sustained high working capital intensity of operations of KPIL marked by heightened Gross Current Asset (GCA) days in FY24 and H1FY25. Its exposure to state transmission projects as well as few stuck overseas projects, price variations and milestone-based payment terms in composite railway projects and rising intensity in water projects due to delayed collections are the prominent reasons for the high current assets of KPIL. Going forward, realization of stretched current assets in timebound manner is critical. This rising intensity has elevated the debt levels in FY24 and H1FY25 resulting into moderate debt coverage indicators. Further to that, KPIL has significant exposure to subsidiaries primarily towards toll-based build-operate-transfer (BOT) projects. However, raising of funds through equity and proposed stake sale in VEPL are expected to curtail debt requirement for funding stretched current assets and therefore improve leverage and debt coverage indicators in medium term.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications

The ratings also take cognizance of reduction in promoter holding to 33.52% albeit with significant reduction in pledge from 51.84% as on March 31, 2022 to 24.59% as on December 31, 2024. The promoter entities have significant exposure towards cyclical real estate business. Nevertheless, CARE Ratings understands that real estate vertical at the promoter level is without any recourse to KPIL. CARE Ratings takes note of the income-tax search conducted in August 2023 and GST search in October 2023 on several premises of the Kalpataru group. According to the management, no material impact is anticipated on KPIL owing to these developments. Yet, material adverse outcome can impact its credit profile.

Analytical approach: Standalone while factoring the equity commitment and support requirement in subsidiaries

Outlook: Stable

The Stable outlook reflects that the company's operating income and profitability shall be well-supported by its healthy order book position and good execution capabilities. Raising of equity and expected realisation of funds from stake sale shall aid liquidity and curtail incremental debt requirement for growth in scale of operations.

Detailed description of key rating drivers:

Key strengths

Established presence of KPIL in T&D segment as well as civil construction and infrastructure industry

KPIL has an established position in T&D, oil & gas infrastructure and railways EPC business, and is one of the leading players in the industry with an execution track record of more than four decades. In addition to its strong position in the domestic market, KPIL has also diversified organically to over 70 countries and inorganically into Brazil and Sweden through step down subsidiaries Fasttel Engenharia S.A. (Fasttel), Brazil and Linjemontage Grastorp AB (LMG), Sweden. Pursuant to the completion of the amalgamation with JMC, it has inhouse business of infrastructure construction in various areas, including civil construction of industrial, commercial and residential building, urban infrastructure, metros, airports, data centers, water pipelines and distribution EPC business with an established track record of over three decades.

Strong revenue visibility led by healthy and diversified order book position

KPIL has strong outstanding order book of ₹56,845 crore as on September 30, 2024, translating into revenue visibility of 3.39x based on the total operating income (TOI) of FY24. Besides this, it has lowest bidder (L1) position in excess of ₹7,000 crore on consolidated basis. The order book is well diversified into various businesses with T&D segment contributing 33%, B&F contributing 23%, water pipelines (19%), oil & gas pipelines (15%), urban, infra & railways (11%). The overseas orders also constituted 42% of the order book. The group has international presence in over 70+ countries. Majority of international orders are backed by multilateral funding agencies, which mitigates the counterparty risk to a large extent. In FY24, KPIL has observed strong order inflows of ~₹30,000 crore, a 20% jump from FY23, primarily in T&D, Oil & Gas and B&F. This includes large scale oil and gas order in Saudi Arabia valuing ~₹7500 crore. The order inflows in H1FY25 remained at ~₹11,900 crore. In order to reduce its counterparty risk with the rising order book, KPIL has increased its focus on Power Grid Corporation of India Limited (PGCIL) orders for domestic T&D segment, reputed government companies and/or private companies with comfortable credit profile. Additionally, KPIL has gradually reduced its exposure in Railway segment where in operations are highly working capital intensive.

Healthy growth in the scale of operations and relatively better profitability

During FY24, the TOI has increased to ₹16,760 crore (FY23: ₹14,345 crore), registering a growth of 17% over FY23. The growth was primarily driven by healthy execution in T&D as well water business followed by B&F and Urban Infra. However, the scale of operations for Railways business continued to be moderating due to selective bidding of orders. KPIL reported Compounded Annual Growth Rate (CAGR)of 14% for the last 4 years ended FY24. During H1FY25, KPIL reported moderate growth in TOI of 5% to ₹7,858 crore on account of account of decline in execution from water business.

KPIL reported a moderate PBILDT margin of 9.11% during FY24 (FY23: 9.10%) due to continued pressure on commodity prices during the year. However, profitability is better as compared to peers. The margins are envisaged to firm-up in FY25 considering softening of commodity prices and execution of orders bid in last six months to 1 year, which were quoted in alignment with increased commodity prices.

Steadily reducing pledge of shares

The promoter stake in KPIL steadily reduced from 56.49% as on March 31, 2021 to 33.52% as on December 31, 2024**.** Of the total promoter holding of 33.52% of KPIL, the promoter companies, i.e., Kalpataru Construction Private Limited and K. C. Holdings Private Limited, jointly hold 20.17% in the entity. Both the entities are into real estate business. These entities have pledged shares of KPIL to raise debt at other multiple promoter companies, which are into real estate business by giving security and corporate guarantee. As articulated by the management, there is no recourse to KPIL on pledge on shares by the promoters. Furthermore, pledge on the promoter shares steadily reduced from 51.84% as on March 31, 2022 to 24.59% as on December 31, 2024.

Moderated debt coverage indicators albeit likely to improve
Total outside liabilities to tangible net worth continued to remain moderate at 2.41x as on March 31, 2024 as compared to 2.26x as on March 31, 2023. However, it is expected to improve to around 2 times in the near term due to raising of equity. Despite increase in overall debt levels, adjusted debt (considering only interest-bearing mobilization advances)/Gross cash accruals has improved in FY24 to 4.03x (FY23: 4.66x) due to decline in LC backed creditors and interest-bearing advances. However, during H1FY25, the debt has risen significantly on account of delay in release of payments from water segments leading to adjusted debt/Gross cash accruals above 5x. In the medium term, adjusted debt/Gross Cash Accrual is expected to improve gradually with curtailment of debt, expected release of funds from water and scaling up of operations. Interest coverage continued to remain range bound around 3 times in FY24.

Key weaknesses
Sustained high working capital intensity
The operations of KPIL continued to remain working capital intensive marked by high gross current asset days of 311 days during FY24 (FY23: 314 days). The elongated GCA days were on account of higher unbilled revenues in some of the projects. There has been a significant increase in the unbilled revenue during FY24 on account of milestone-based payments in water and railway projects, slow closure of contracts in T&D segment and sizeable orders inflow of ~₹30,000 crore. Furthermore, in H1FY25, the working capital intensity continued to be remained stretched on account of delay in release of payments from its water projects which has led to negative cash flow from operations in H1FY25. However, there has been some traction in few of the states in release of payments. Going forward, realization of stretched current assets from water, railways and overseas T&D projects in timebound manner is critical.

Exposure to subsidiaries albeit stake sale announcement of one SPV
KPIL is exposed to subsidiaries primarily operational toll-based road SPVs wherein there were plans of materialisation of various transactions including restructuring and stake sale. In line to this, KPIL in October 2024, has successfully entered into definitive agreement for sale of its entire 100% stake in VEPL for an enterprise valuation of ₹775 crore and is expected to realise ₹450 crore. The transaction is expected to consummate by H1FY26. In another SPV i.e. WEPL, the account has been regularized through timely support from KPIL. KPIL is required to extend support of approximately ~₹80 crore each year towards these SPVs which is expected to reduce post completion of stake sale in VEPL.
Furthermore, one of SPVs (in joint venture), i.e., Kurukshetra Expressway Private Ltd (KEPL), in Haryana, has terminated its Concession Agreement with National Highways Authority of India (NHAI; rated CARE AAA; Stable) owing to sustained force majeure event (farmer agitation). No major cash outflow is envisaged from KPIL due to shortfall between debt due and termination payment. In August 2024, KEPL has received two arbitration awards in its favor which is subsequently being challenged by NHAI.
KPIL has earlier envisaged sizeable cash flow from its Indore real estate project having nil external debt. However, there has been a slower recovery than envisaged and is expected to be fully realized by next financial year.

Liquidity: Strong
KPIL has strong liquidity despite working capital intensive operations marked by free cash and cash equivalent of ₹833 crore as on March 31, 2024. Further, it has enhanced sanctioned fund-based working capital limits from ₹1,800 crore to ₹2,500 crore during FY24 which adds cushion to the liquidity profile. Average utilization of working capital limits was around 70-80% for trailing twelve months ended December 2024 basis lender's interaction.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

Environmental	KPIL is exposed to environmental risk with respect to GHG emissions while executing EPC and power transmission projects. However, KPIL is focused on mitigating its environmental footprint by implementing multiple practices.
Social	KPIL focuses on community development, healthcare and educational facilities by facilitating in imparting education and skilling to youth.
Governance	More than 50% of KPIL's board comprises of independent directors. The company has a dedicated grievance redressal mechanism for its stakeholders and fully independent audit committee.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Withdrawal Policy
Construction
Infrastructure Sector Ratings
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Promoted by Mofatraj Munot in 1981, KPIL is one of the leading players in the T&D sector. Pursuant to the completion of amalgamation of JMC with KPIL, it now also operates in the T&D segment, B&F, water, urban infrastructure, railways, bio mass plant and oil & gas. KPIL's manufacturing facilities for transmission tower structures are situated at Gandhinagar in Gujarat and Raipur in Chhattisgarh with a combined installed capacity of 240,000 metric tonne per annum (MTPA) as on March 31, 2024. In addition to its EPC business, KPIL has also diversified inorganically by acquiring Shree Shubham Logistics Ltd. (SSLL –100% holding as on March 31, 2024) engaged in agri-warehousing and allied activities. Furthermore, KPIL has invested in the real estate project through its wholly-owned subsidiary, Energylink (India) Ltd. (EIL).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	14,345	16,760	7,858
PBILDT	1,305	1,526	662^
PAT	532	533	249
Overall gearing (times)*	1.21	1.18	1.34
Interest coverage (times)	3.04	3.06	3.56^

A; Audited; UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'
^ before adjusting bank charges
* considering mobilization advances as debt

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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
Commercial Paper-Commercial Paper (Carved out)	-	-	-	7 – 364 days	0.00	Withdrawn
Commercial Paper-Commercial Paper (Carved out)	-	-	-	7 – 364 days	0.00	Withdrawn
Commercial Paper-Commercial Paper (Standalone)	-	-	-	7 – 364 days	0.00	Withdrawn
Fund-based-Long Term		-	-	-	0.00	Withdrawn
Non-fund-based-LT/ST		-	-	-	0.00	Withdrawn
Non-fund-based-LT/ST		-	-	-	0.00	Withdrawn
Term Loan-Long Term		-	-	31-03-2025	0.00	Withdrawn
NCD	INE220B08084	12-01-2022	6.15	10-01-2025	0.00	Withdrawn
NCD	INE890A08045	15-12-2021	9.80	14-06-2024	0.00	Withdrawn
NCD	INE890A08052	15-12-2021	9.80	13-12-2024	0.00	Withdrawn
NCD	INE890A08060	17-10-2022	Linked to repo rate	17-10-2024	0.00	Withdrawn
NCD	INE890A08078	17-10-2022	Linked to repo rate	17-10-2025^	0.00	Withdrawn
NCD	INE890A08086	04-11-2022	Linked to repo rate	04-11-2025^	0.00	Withdrawn
NCD	INE890A08094	04-11-2022	Linked to repo rate	04-11-2024	0.00	Withdrawn

^Prepaid

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	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	1) CARE A1+ (17-Jan-25)	1)CARE A1+ (18-Jan-24)	1)CARE A1+ (19-Jan-23) 2)CARE A1+ (17-Oct-22)	1)CARE A1+ (03-Mar-22) 2)CARE A1+ (07-Jul-21) 3)CARE A1+ (01-Apr-21)

2	Fund-based-Long Term	LT	-	-	1) CARE AA; Stable (17-Jan-25)	1) CARE AA; Negative (18-Jan-24)	1)CARE AA; Stable (19-Jan-23) 2)CARE AA; Stable (17-Oct-22)	1)CARE AA; Stable (03-Mar-22) 2)CARE AA; Stable (07-Jul-21) 3)CARE AA; Stable (01-Apr-21)
3	Non-fund-based-LT/ST	LT/ST	-	-	1) CARE AA; Stable / CARE A1+ (17-Jan-25)	1) CARE AA; Negative / CARE A1+ (18-Jan-24)	1)CARE AA; Stable / CARE A1+ (19-Jan-23) 2)CARE AA; Stable / CARE A1+ (17-Oct-22)	1)CARE AA; Stable / CARE A1+ (03-Mar-22) 2)CARE AA; Stable / CARE A1+ (07-Jul-21) 3)CARE AA; Stable / CARE A1+ (01-Apr-21)
4	Non-fund-based-LT/ST	LT/ST	-	-	1) CARE AA; Stable / CARE A1+ (17-Jan-25)	1) CARE AA; Negative / CARE A1+ (18-Jan-24)	1)CARE AA; Stable / CARE A1+ (19-Jan-23) 2)CARE AA; Stable / CARE A1+ (17-Oct-22)	1)CARE AA; Stable / CARE A1+ (03-Mar-22) 2)CARE AA; Stable / CARE A1+ (07-Jul-21) 3)CARE AA; Stable / CARE A1+ (01-Apr-21)
5	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	1) CARE A1+ (17-Jan-25)	1) CARE A1+ (18-Jan-24)	1)CARE A1+ (19-Jan-23) 2)CARE A1+ (17-Oct-22)	1)CARE A1+ (03-Mar-22) 2)CARE A1+ (07-Jul-21) 3)CARE A1+ (01-Apr-21)
6	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (03-Mar-22) 2)CARE AA; Stable (07-Jul-21)

								3)CARE AA; Stable (01-Apr-21)
7	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (01-Apr-21)
8	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (17-Oct-22)	1)CARE AA; Stable (03-Mar-22) 2)CARE AA; Stable (07-Jul-21) 3)CARE AA; Stable (01-Apr-21)
9	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (17-Oct-22)	1)CARE AA; Stable (03-Mar-22) 2)CARE AA; Stable (07-Jul-21) 3)CARE AA; Stable (01-Apr-21)
10	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (17-Jan-25)	1)CARE AA; Negative (18-Jan-24)	1)CARE AA; Stable (19-Jan-23) 2)CARE AA; Stable (17-Oct-22)	1)CARE AA; Stable (03-Mar-22) 2)CARE AA; Stable (07-Jul-21) 3)CARE AA; Stable (01-Apr-21)
11	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (17-Jan-25)	1)CARE AA; Negative (18-Jan-24)	1)CARE AA; Stable (19-Jan-23)	-
12	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	1) CARE A1+ (17-Jan-25)	1) CARE A1+ (18-Jan-24)	1)CARE A1+ (19-Jan-23)	-
13	Term Loan-Long Term	LT	-	-	1) CARE AA; Stable / CARE A1+ (17-Jan-25)	1) CARE AA; Negative (18-Jan-24)	1)CARE AA; Stable (19-Jan-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/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	Commercial Paper-Commercial Paper (Carved out)	Simple
2	Commercial Paper-Commercial Paper (Standalone)	Simple
3	Fund-based-Long Term	Simple
4	Non-fund-based-LT/ST	Simple
5	Term Loan-Long Term	Simple
6	Debentures-Non-convertible debentures	Simple
7	Debentures-Non-convertible debentures	Complex

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.