Kean Construction Private Limited

April 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	100.00	CARE BB / CARE A4 (RWD)*	Assigned

Details of instruments/facilities in Annexure-1.
*Rating Watch with Developing Implications

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has placed ratings assigned to the bank facilities of Kean Construction Private Limited (Kean) on "Rating Watch with Developing Implications (RWD)" as per the board resolution received from Kean dated January 11, 2025, wherein respective company's board has approved the scheme of amalgamation between Kean and Kargwal Construction Private Limited (Kargwal). Further, Kean filed the application before NCLT dated March 26, 2025. The scheme is subject to requisite approvals from the National Company Law Tribunal (NCLT). The proposed merger would bring synergies in business, increase operation efficiency, integrate business functions and reduction in costs of the merged entity. The said merger is expected to strengthen its operational risk profile while the financial risk profile is expected to remain at a similar level. CARE Ratings will continue to closely monitor developments in this announcement and will take a view accordingly on Kean's ratings post-merger.

The rating assigned to the bank facilities of Kean constrained by moderate albeit growing scale of operations during FY24 as well as 9MFY25, moderate profitability margin and its susceptibility to price volatility risk. The ratings are further considered the leverage capital structure, working capital intensive nature of operations and geographical as well as customer concentration risk with dependence on real estate sector. The ratings, however, derived strength from experienced promoters and established group presence in civil construction industry, healthy order book position with reputed clientele and comfortable debt coverage indicators.

Rating Sensitivities: Factors likely to lead to rating actions

Positive Factors

- Increase in scale of operations with total operating income (TOI) exceeding Rs.300 crore with improvement in PBILDT (Profit before interest, lease rentals, depreciation and taxation) margin exceeding 10% on a sustained basis
- Improvement in the capital structure with total outside liabilities to tangible net-worth reaching below 2x on a sustained basis
- Improvement in Gross current Asset period to less than 180 days on a sustained basis

Negative Factors

- Substantial decline in TOI below Rs.150 crore OR PBILDT margin declined to below 5% on a sustained basis
- Deterioration in the debt coverage indicators with interest coverage fall below 2x on a sustained basis
- Significant increase in loans and advances to others or non-receipt of sizeable portion of loans and advances from others in a timely manner thereby resulting in reliance on higher debt levels or deterioration in liquidity for the company

Analytical approach: Standalone

Outlook: Not applicable

Detailed description of the key rating drivers:

Key weaknesses

Moderate albeit growing scale of operations

The total operating income (TOI) of the company has been growing at a CAGR of 33.14% since the past four years ending FY24. Nevertheless, the scale of operations remained moderate marked by TOI stood in the range of Rs.54.52 crore to Rs.266.99 crore during FY21-FY24. Further, TOI grew by 20% to Rs.266.99 crore in FY24 as compared to Rs.222.54 crore in FY23 on account of higher receipt and execution of higher orders. Further, during 9MFY25 the company reported net sales of Rs.191 crore. Further, the revenue of the company is expected to increase in the near to medium term on the back of healthy order book position. The tangible net-worth stood small at Rs.29.44 crore as on March 31, 2024 (vis-à-vis Rs.20.94 crore as on March 31, 2023) which limits the financial flexibility of the company to a great extent.

Fluctuating albeit moderate profitability margins

The PBILDT margin remained fluctuating in the past 4 years ended on FY24 due to susceptibility in fluctuations in input prices, subcontracting expenses along with stage of completion of the order book. Kean's PBILDT margin declined in the past 3 years and stood at 6.16% in FY24 (vis-à-vis 7.44% in FY23 and 8.49% in FY22) on the back of increase in subcontracting, administration and selling expenses for timely completion of orders. Further, Profit after tax (PAT) margin improved during FY24 and stood at 3.12% (vis-à-vis 2.69% in FY23 and 5.08% in FY22). Despite fluctuations, the profitability margins continue to remain moderate. The profit margins of the company expected to remain moderate in the near to medium term.

Leveraged capital structure

The company's capital structure is leveraged marked by total outside liabilities to tangible networth stood at 5.99x as on March 31, 2024 (vis-à-vis 8.57x as on March 31, 2023) on account of higher number of advances received from client. Overall gearing stood at 0.53x as on March 31, 2024 (vis-à-vis 0.24x as on March 31, 2023), on account of lower dependency on external debt during said periods. However, the overall gearing is expected to deteriorate in the near term due to availment of additional fund based working capital borrowing of Rs.50 crore in the month of August 2024. Further, adjusted overall gearing (Adjusted for group exposure of Rs. 15.20 crore) stood moderate at 1.26x as on March 31, 2024 (vis-à-vis 1.27x as on March 31, 2023).

Working capital intensive business

The construction segment is inherently high working capital intensity primarily due to funding requirement towards the security deposits, margin money for the non-fund-based facilities, receivables and inventory. However, the same has been funded through internal accruals, unsecured loans from partners and related parties and mobilization advances and contract liabilities. Kean's business is inherently working capital intensive with operating cycle stood at 28 days in FY24 (vis-à-vis 43 days in FY23) marked by high average collection period of 72 days in FY24 (vis-à-vis 75 days in FY23) and inventory period of 16 days in FY24 (vis-à-vis 19 days in FY23). The receivables are from the EPC segment includes retention money. However, against the same, the entity also has a significant amount of customer advances and billing in advance. This financing of debtors and inventory (i.e., work in progress) through contract liabilities has kept the reliance on working capital borrowings low.

Geographical as well as Customer concentration risk with dependence on the real estate sector

The entity has been dealing explicitly in the real estate sector. Out of total order book position nearly 70% of the total unexecuted order book contributed by top 5 customers thereby imposing a high level of customer concentration risk. Further Kean caters to clients spread over Mumbai region thereby geographical concentration risk persists. As the business of Kean is highly dependent on real estate industry, liquidity-related concerns and execution challenges continue to impact the sector in the country. Delays in obtaining statutory clearances and increasing working capital needs have put pressure on the financial profile of the companies in this sector. This has been compounded by the inability to pass on input cost increases which has resulted in a fall in their margins. Due to the tender driven nature of operations, the entity has to undergo the bidding process where successful bidding remains critical. Furthermore, the entity faces competition from other companies who bid for tenders of the contracts.

Key strengths

Experienced promoters and established group presence in civil construction industry

Kean was promoted by Mr. Nandlal Varma with vast experience in construction industry. Further he is also supported by Mr. Darshan Kanayalkar, director who also possesses significant experience in real estate and construction industry. Hence, due to long standing experience of the promoters; the entity has garnered healthy order book from the established players in the real estate industry.

Kean is a part of Kargwal Group which is into construction business since 1975. It has presence in diverse construction activities ranging from industrial plants, ports, bridges, real estate activities. Over the years of existence in the market, the group has established strong marketing connects with its customers, suppliers and stakeholders.

Healthy Order book position with reputed clientele

Kean has healthy order book position of Rs.1,767 crore which accounts for 6.62x the TOI for FY24 thereby providing higher revenue visibility in the near to medium terms. Further, the said orders were comprised of various projects of reputed real estate companies viz. Rustamjee Developers Private Limited, Omkar Relators Projects Private Limited, Piramal Realty Private Limited, L&T Realty Limited and amongst others across Mumbai region. Hence, having the reputed nature of customers mitigate the counterparty risk to an extent.

Comfortable debt coverage indicators

The debt coverage indicators stood comfortable as marked by PBILDT interest coverage of 19.63x in FY24 (vis-à-vis 26.33x in FY23) and Total debt/gross current assets (GCA) of 1.34x in FY24 (vis-à-vis 0.65x in FY23) on the back of lower debt levels and interest obligations. However, the same had deteriorated on y-o-y basis due to due to stagnant absolute PBILDT with additions in the total debt during FY24. Further, the interest coverage stood at 7.27x during 9MFY25. The same are expected to remain moderated in the near term due to availment of additional working capital borrowings during FY25.

Liquidity: Stretched

The liquidity position of the company remained stretched marked by higher utilization of the working capital limits. The company has sufficient cushion in expected cash accruals vis-à-vis moderate repayment obligations of term loans of Rs. 4.30 crore in FY25 and Rs. 4.34 crore in FY26. The maximum average utilization of fund-based limits stood at 84.82% and non-fund-based working capital limits are almost fully utilised during past 5 months ended December 2024. The unencumbered cash and bank balance stood at 6.35 crore as on March 31, 2024. Further, the current ratio and quick ratio stood moderate at 1.37 times as on March 31, 2024 (PY: 0.97x). Further, net cash flow from operating activities stood positive at Rs. 16.68 crore in FY24(vis-à-vis negative at Rs. 3.50 crore in FY23).

Applicable criteria:

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction Sector
Short Term Instruments

About the Company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Kean Constructions Private Limited (KCPL) was originally established as a limited liability partnership in July 2017 under the name of Kean Construction LLP (KC) and commenced its operations from February 2019. Later from May 2025, the constitution of the firm changed to private limited company under present name Mr. Nandlal Verma are the directors of the company. The entity undertakes construction contracts for civil, lift and finishing work, Mechanical, Electrical and Plumbing (MEP) as well as Lock- n-key contracts of residential building etc. KCPL get orders through the bidding and tendering process and its current projects are comprised of in the Mumbai region. The customer base of the entity includes real estate players across Mumbai. It also executes projects as sub-contractors which are obtained through private corporates. The entity procures all the raw materials domestically through local distributors and traders.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	222.54	266.99	191.41
PBILDT	16.55	16.45	22.55
PAT	6.00	8.35	12.36
Overall gearing (times)	0.24	0.53	NA
Interest coverage (times)	26.33	19.63	7.27

A: Audited UA: Unaudited; NA- Not available Note: 'The above results are the latest financial results available'

Status of non-cooperation with previous CRA: Nil

Any Other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History for last three years: Please refer 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
Fund-based - LT/ ST-Cash Credit		-	-	-	50.50	CARE BB / CARE A4 (RWD)
Fund-based/Non-fund-based-LT/ST		-	-	-	41.50	CARE BB / CARE A4 (RWD)
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	8.00	CARE BB / CARE A4 (RWD)

Annexure-2: Rating History of 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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (11-Mar-24) 2)CARE BB; Stable (11-May-23)	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	-	-	-	-	1)Withdrawn (11-Mar-24) 2)CARE BB; Stable / CARE A4 (11-May-23)	-
3	Fund-based - LT/ ST-Cash Credit	LT/ST	50.50	CARE BB / CARE A4 (RWD)				
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	8.00	CARE BB / CARE A4 (RWD)				
5	Fund-based/Non-fund-based-LT/ST	LT/ST	41.50	CARE BB / CARE A4 (RWD)				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure 5: Lender Details

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

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

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About us:
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