

KNK Projects Private Limited

April 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	8.00	CARE B+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Negative and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	37.25	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	LT rating downgraded from CARE BB-; Outlook revised from Negative and ST rating reaffirmed and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	30.00	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

KNK Projects Private Limited (KNK) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on KNK Projects Private Limited's bank facilities will now be denoted as **CARE B+; Stable / 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 long-term rating has been downgraded on account of company's modest and declining scale of operations, elongation in operating cycle and deterioration in capital structure and debt coverage indicators in FY24 (refers to the period from April 1 to March 31). Further, the rating continues to remain constrained by risk associated with its concentrated though moderate order book position, project execution risk inherent in various infrastructure projects and highly competitive nature of industry along with business risk associated with tender-based orders. The rating, however, continues to draw comfort from the experienced promoters and moderate profitability margins.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on February 22, 2024, the following were the rating strengths and weaknesses:
(updated based on information provided by the client)

Key weaknesses

Modest and declining scale of operations: KNK's scale of operations continue to remain modest and declining as marked by total operating income (TOI) and gross cash accruals (GCA) of Rs.61.40 crore and Rs.7.70 crore respectively, during FY24 (FY refers to the period April 1 to March 31) as against Rs.100.80 crore and Rs.14.51 crore respectively, during FY23. The modest scale of operations in a competitive industry limits the bidding capability, pricing power and benefits of economies of scale. Moreover, KNK's scale of operations remained declining for the period FY22-FY24 (refers to the period April 1 to March 31) mainly on account of lower execution of contracts pertaining mainly to Punjab government. Further, the company has achieved total operating income of ~Rs.49.00 crore during 11MFY25 (refers to the period April 1, 2024 to February 28, 2025; based on provisional results) and is expected to book revenue of ~Rs.70.00 crore in FY25.

Elongation in operating cycle: The operating cycle of the company elongated as marked by 124 days for FY24 as against 32 days for FY23 due to slow realization from the government departments primarily Punjab government due to non-availability of funds within the departments. Thus, the average collection period elongated and stood at 153 days for FY24. The company raises bills on milestone basis and thereon which gets acknowledge by client after necessary inspection of work done by the respective departments. Post the inspection, department clears the payment within 1-2 months (maximum) by deducting certain percentage of bill raised (ranging from 5-6% of bill amount) in the form of retention money, which they refund after

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

submission of bank guarantee/ after one year from the completion of contract. On the other hand, the company receives an average credit period of around 1-2 months from its suppliers. Thus, the same has led to stretched liquidity position of the company which resulted in high utilization of almost more than 95% of its working capital limits for the past 12 months period ending February, 2025.

Deterioration in capital structure and debt coverage indicators: The capital structure of the company as marked by overall gearing ratio has deteriorated and stood at 0.28x as on March 31, 2024 showing moderation from 0.25x as on March 31, 2023 mainly on account of higher utilization of working capital borrowings as on balance sheet date. Further, the debt coverage indicators of the company have also deteriorated as marked by interest coverage ratio and total debt to GCA which stood at 6.58x and 1.65x respectively, for FY24 as against 17.56x and 0.65x respectively, for FY23. The deterioration is on the back of a substantial increase in the utilization of working capital borrowings as on balance sheet, consequently leading to higher total debt and finance cost.

Concentrated though moderate order book position: KNK has an unexecuted order book position of ~Rs.242.81 crore as on December 31, 2024 which is equivalent to ~3.95x the total operating income achieved in FY24. The tenor of the construction contracts to be executed varies up to a maximum of 3 years depending upon the type of contract bid and awarded, thereby reflecting revenue visibility over the medium term. However, the present unexecuted order book is concentrated around 78% towards contracts from Faridabad Metropolitan Development Authority (FMDA), Haryana and Public Health Engineering Department (PHED), Haryana. Thus, the company is exposed to the risk of any unfavourable changes in the policies towards award of new contracts. Furthermore, effective and timely execution of the orders has a direct impact on the total income and margins of the company.

Project execution risk inherent in various infrastructure projects: Given the nature of projects awarded, KNK is exposed to inherent risk in terms of delays in certain projects undertaken by the company due to delay in approvals and sanction from regulatory bodies such as land acquisition issues, thus exposing KNK towards the risk of delay in projects resulting in a delay in the realization of revenue growth. Furthermore, the company's ability to execute a project in timely manner would be led by its own operational efficiency and timely stage payments received from its clients which is also crucial from credit perspective.

Highly competitive nature of industry along with business risk associated with tender-based orders: KNK operates in a highly competitive construction industry wherein it faces direct competition from various organized and unorganized players in the market given the low barriers to entry. There are number of small and regional players catering to the same market which has limited the bargaining power of the company. KNK receives all of its majority of work orders from government/ public sector undertakings. The risk arises from the fact that any changes in geo-political environment and policy matters would affect all the projects at large. Further, any changes in the government policy or government spending on projects are likely to affect the revenues of the company. The company majorly undertakes government projects which are awarded through the tender-based system. This exposes the company towards risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder.

Key strengths

Experienced promoters: KNK is a family run business. Mr. Shankar Khandelwal, Mr. Nishant Khandelwal and Mr. Nikhil Khandelwal are the directors, and they collectively look after the overall operations of the company. Mr. Shankar Khandelwal is a graduate and holds experience of more than four decades in executing water supply contracts through his association with this entity and in individual capacity. He is ably supported by his two sons namely, Mr. Nishant Khandelwal and Mr. Nikhil Khandelwal having considerable experience of varied up to one decade in executing water supply contracts through their association with this entity.

Moderate profitability margins: The company majorly undertakes government projects, which are awarded through the tender based system and ~80% of TOI is generated from the contracts which were procured through sub-contracting. The PBILDT margin of the company declined however, continue to remain moderate and stood at 17.91% in FY24 as against 19.80% in FY23 owing to higher execution of contracts which were majorly in its initial phase of its execution and generally fetches lower margins due to higher expenditure involved. Further, PAT margin also declined and stood at 11.52% in FY24 as against 13.95% in FY22 backed by decline in PBILDT levels.

Liquidity: Stretched

The liquidity position of the company remained stretched on account of high utilization of more than 95% of its working capital limits for the past 12 month's period ending February, 2025 due to elongated collection period caused by delay in the realizations from various government departments. Further, the company has low free cash & bank balances which stood at Rs.0.13 crore as on March 31, 2024. However, the company has reported net cash accruals (NCA) to the extent of Rs.7.70 crore during FY24 and is expected to generate NCA of more than Rs.8.00 crore for FY25 against repayment obligations of ~Rs.0.31 crore in same year.

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](#)

[Financial Ratios – Non financial Sector](#)

[Construction Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Utilities	Utilities	Other Utilities	Waste Management

New Delhi, Delhi based KNK Projects Private Limited (KNK) was incorporated in March, 2016 as a private limited company. The company is currently being managed by Mr. Shankar Khandelwal, Mr. Nishant Khandelwal and Mr. Nikhil Khandelwal. The company undertakes water supply contracts for setting up of water supply systems, laying of water supply distribution networks, wastewater treatment plants on turnkey basis (design, construction, supply, installation, testing and commissioning) and its operation & maintenance related works mainly for government departments like Public Health Engineering Department, (Haryana), Madhya Pradesh Urban Development Company Limited, (Madhya Pradesh), Madhya Pradesh Jal Nigam (Madhya Pradesh), Department of Water Supply & Sanitation (DWSS) (Punjab), etc. In order to get the business, company has to participate in tenders floated by government companies. The company has geographical coverage across Haryana, Madhya Pradesh and Punjab. The company is having a joint venture partnership firm namely, "M/s KNK JWIL JV". It is a joint venture between "M/s KNK Projects Private Limited" and "M/s JWIL Infra Limited" having 60:40 ownership.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (Prov.)*
Total operating income	100.80	61.40	49.00
PBILDT	19.96	11.00	NA
PAT	14.06	7.07	NA
Overall gearing (times)	0.25	0.28	NA
Interest coverage (times)	17.56	6.58	NA

A: Audited; Prov.: Provisional; NA: Not Available; Note: these are latest available financial results

*refers to the period from April 1, 2024 to February 28, 2025.

Status of non-cooperation with previous CRA: CRISIL Ratings has continued the ratings assigned to the bank facilities of KNK Projects Private Limited to the "Issuer Not-Cooperating" category vide its press release dated October 14, 2024 on account of its inability to carryout review in the absence of requisite information from the company.

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
Fund-based - LT-Working Capital Limits		-	-	-	8.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	0.01	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	37.24	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	30.00	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-Working Capital Limits	LT	8.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Negative (22-Feb-24) 2)CARE BB-; Negative (16-Jan-24)	1)CARE BB+; Stable (11-Nov-22)	-
2	Non-fund-based - ST-Bank Guarantee	ST	30.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (22-Feb-24) 2)CARE A4 (16-Jan-24)	1)CARE A4+ (11-Nov-22)	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	37.24	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Negative / CARE A4 (22-Feb-24) 2)CARE BB-; Negative / CARE A4 (16-Jan-24)	1)CARE BB+; Stable / CARE A4+ (11-Nov-22)	-
4	Fund-based/Non-fund-based-LT/ST	LT/ST	0.01	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Negative / CARE A4 (22-Feb-24) 2)CARE BB-; Negative / CARE A4 (16-Jan-24)	1)CARE BB+; Stable / CARE A4+ (11-Nov-22)	-

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

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	Fund-based - LT-Working Capital Limits	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - 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 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.

Contact us

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About us:

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