

Kanyaka Parameshwari Engineering Private Limited

April 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	8.00	CARE BBB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	40.00	CARE BBB; Stable / CARE A3+	Reaffirmed
Short Term Bank Facilities	1.00	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Kanyaka Parameshwari Engineering Private Limited (KPEPL) continues to derive strength from experienced and resourceful promoters with infusion of funds in the form of unsecured loans to aid business operation. Ratings also factors the increase in total operating income (TOI) in FY24 (refers to April 01 to March 31), improvement in operating cycle, diverse product profile within the transformer segment, and established client base. The ratings are further strengthened by comfortable capital structure driven by lower reliance on external debt along with adequate liquidity and stable industry outlook. However, rating strengths are partially offset by moderated profitability margins in FY24, exposure to volatility in raw material prices, tender-based operations and fragmented industry with presence of many unorganised players making the industry highly competitive.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing scale of operation to above ₹250 crore.
- Profit before interest, lease rentals, depreciation and taxation (PBILDT) margin maintained at/or above 12% on a sustained basis.

Negative factors

- Significant debt undertaken thereby adversely impacting the leverage and cashflow position.
- Increasing raw material prices impacting profitability margins adversely.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings') expectation of KPEPL to sustain its stable financial risk profile given the stable demand and absence of large debt-funded capex in the medium term.

Detailed description of key rating drivers:

Key strengths

Experienced and resourceful promoters with established track record of operations

KPEPL was incorporated by G Rajeshwar Rao (Managing Director), first-generation entrepreneur having three decades of experience in manufacturing transformers business. Other directors, G Ashok Kumar, with more than a decade of experience, and G Laxmikanth, with over a decade of experience, strengthen the company's transformer business, continuously supporting in terms of management expertise. G Laxmikanth looks after company's marketing functions. Promoters have been infusing funds through unsecured loans as and when required to support business operations. As on March 31, 2024, unsecured loans received from promoters stood at ₹21.10 crore against ₹8.17 crore as on March 31, 2023.

Product profile catering to various transformer requirements:

Company is engaged in manufacturing and selling electrical distribution transformers, utilised in providing final voltage transformation (both step-up and step-down) in the electric power distribution system. Company manufactures various transformers in range of 10 KVA to 4000 KVA with major client base being the distribution utilities/transmission companies and supplies to engineering, procurement and construction (EPC) players. It has an installed capacity of approx. 30,000 units

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

comprising transformers of various sizes as stated above. Company had also embarked high-voltage transformers used for industrial and commercial purposes, which has higher margins. Gradually, KEPL is dealing in high-voltage transformers with good profitability margins in retail i.e., to EPC contractors.

Established client base

KPEPL supplies various Government entities as well as private players with an average revenue being in the ratio of 30:70 from Government and Private players in FY24. The company has increased its revenue share from private participants over the years. The company receives direct orders from private players based on negotiations and quality of transformers supplied. Also, it participates in tenders floated by the State Electricity boards (SEBs) and others for the supply of transformers.

The company is a registered vendor with various state government distribution utilities like TSSPSCL Hyderabad, TSNPDCL Warangal, TP Western Odisha Distribution Limited etc., While other major private clients are Pan Africa Transformers & Switchgears Limited, Megha Engineering and Infrastructures Ltd, Universal Mep Projects Engineering Services Limited, and others.

Growth in total operating income (TOI) albeit decline in profit margins during FY24

The total operating income of KPEPL witnessed a growth of ~34% to ₹119.46 crores in FY24 as compared to ₹88.88 crores in FY23. The revenue has increased on the back of increase in sales volume, though the sales realisations decreased in FY24 compared to previous year. In 9MFY25, the company has achieved a TOI of ₹79.79 crore.

The profitability margins stand satisfactory, although slightly moderated in FY24 compared to previous year due to lower sales realizations. In FY24, PBILDT margin stood at 8.35% (PY: 8.50%) and the PAT margin stood at 4.03% (PY: 5.26%). CARE Ratings expects these margins to improve in the future, as the company aims to increase its sales to the private sector where the margins are relatively better.

Comfortable capital structure and debt coverage indicators

The company has no term debt and relies on unsecured loans from the related parties and working capital bank borrowings. The overall gearing ratio, though moderated, stood comfortably below unity at 0.57x as on March 31, 2024, as against 0.38x as on March 31, 2023. The moderation is on account of further infusion of unsecured loans (interest bearing) from promoters with lower reliance on working capital borrowings.

Debt coverage indicators, marked by interest coverage ratio and total debt to gross cash accruals (TDGCA) moderated yet remain comfortable at 2.93x and 5.00x respectively in FY24 (PY: 4.18x and 3.21x).

Liquidity: Adequate

Liquidity is adequate marked by projected GCA of ₹6.10 crores against nil term debt for FY25. The overall working capital utilization remains at a moderate level with fund based and non-fund based utilisation for the past 12 months ending December 31, 2024, standing at 8.09% and 61.24% respectively. Unutilised working capital limits provide sufficient cushion to any incremental working capital needs over the short-term period. Further liquidity is supported by an above unity current ratio of 4.36x and quick ratio of 2.94x as on March 31, 2024.

Key weaknesses

Improved and moderate operating cycle

The operating cycle of the company has improved and stands moderate at 109 days in FY24 as against 132 days in FY23 on account of better inventory management and improvement in collection period. The company has increased its supply to private players which has a shorter collection compared to government supply. With stable operations and sustainable growth in TOI, the company is able to move its inventories in a timely manner.

Exposure to volatility in raw material prices

The manufacturing of transformers requires various raw materials like Copper, Aluminum, Cold Rolled Grain Oriented Steel (CRGO) Core, Transformer Oil, Steel etc. The top 3 major raw materials are copper, CRGO core, and DPC aluminum strips which contributed around 36% of the total cost in FY24. Most of the materials are procured domestically with few raw materials procured from China.

Competitive transformer market along with tender-based nature of operations

Domestic transformer manufacturing industry is highly fragmented marked by presence of many players, especially for distribution transformers and thus remains competitive. Government works are tender-based allocations, and the revenue is largely dependent on company's ability to bid successfully for these tenders. Profitability margins come under pressure due to competitive industry. However, promoter's satisfactory industry experience of around two decades mitigates this risk to some extent. Players in the transformer industry also face multiple execution challenges such as lack of clearances for projects and weak financial health of distribution companies, which restricts the order inflow and impacts liquidity. Another major challenge continuing to beleaguer the sector apart from fragmentation in domestic market is imports from countries, such as China, leading to intense competition

in the industry. Company has been trying to increase its supplies to private players, which is associated with higher margins and faster debtors' recovery.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

KPEPL is an ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007-certified company incorporated in 1983. It manufactures distribution transformers primarily upto 4000 KVA, 33 KV class, power transformers upto 10 MVA and others. Its manufacturing facility is in Rudraram, Medak District (Telangana) having a capacity to produce 30,000 transformers per year. KPEPL is also licensed to manufacture ISI marked transformers up to 4000 KVA, EEL3.

Initially, KPEPL started its operations as LPG cylinder manufacturer, later venturing into manufacturing of wide range of electrical products and turnkey execution of electrical sub-station and transmission lines since 2002. In 2011-12, the company exited turnkey services due to high working capital intensive nature of business, and is, currently, engaged only in the manufacturing of distribution transformers, power transformers, single-phase transformers, earthing transformers and others. KPEPL is an approved vendor for various state government distribution utilities, viz., Karnataka, Madhya Pradesh, Jharkhand, Andhra Pradesh, Telangana, and Maharashtra, among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	88.88	119.46	79.79
PBILDT	7.55	9.97	9.16
PAT	4.67	4.81	-
Overall gearing (times)	0.38	0.57	-
Interest coverage (times)	4.18	2.93	-

A: Audited UA: Unaudited; 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: 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-Cash Credit		-	-	-	8.00	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	40.00	CARE BBB; Stable / CARE A3+
Non-fund-based - ST-Letter of credit		-	-	-	1.00	CARE A3+

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 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	8.00	CARE BBB; Stable	-	1)CARE BBB; Stable (28-Feb-25)	1)CARE BBB; Stable (21-Feb-24)	1)CARE BBB; Stable (30-Mar-23)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	40.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (28-Feb-25)	1)CARE BBB; Stable / CARE A3+ (21-Feb-24)	1)CARE BBB; Stable / CARE A3+ (30-Mar-23)
3	Non-fund-based - ST-Letter of credit	ST	1.00	CARE A3+	-	1)CARE A3+ (28-Feb-25)	1)CARE A3+ (21-Feb-24)	1)CARE A3+ (30-Mar-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	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	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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