

## Knowledge Marine & Engineering Works Limited

July 31, 2025

| Facilities/Instruments                 | Amount (₹ crore)                | Rating <sup>1</sup>         | Rating Action |
|--|---------------------------------|-----------------------------|---------------|
| Long-term bank facilities              | 205.75<br>(Enhanced from 45.00) | CARE BBB+; Stable           | Assigned      |
| Long-term / Short-term bank facilities | 11.00<br>(Enhanced from 5.00)   | CARE BBB+; Stable / CARE A2 | Assigned      |
| Short-term bank facilities             | 83.25                           | CARE A2                     | Assigned      |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Knowledge Marine & Engineering Works Limited (KMEWL) reflect the improvement in its operating performance over the last three years characterised by substantial revenue growth on the back of rising fleet size while sustaining healthy operating profit margins, its healthy order book position with strong counterparties, and adequate debt coverage metrics. KMEWL's operating income grew by ~23% YoY to ₹201 crore in FY25 driven by increasing order book and execution. Its fleet has consistently grown to 12 dredgers (including three trailing suction hopper dredgers and seven cutter suction dredgers) and 16 port ancillary crafts as on March 31, 2025 compared to three dredgers and five port ancillary crafts as on March 31, 2021. Its sizeable unexecuted order book of over ₹850 crore (excluding L1 contracts) as on May 31, 2025, which is ~4x of FY25 revenue, provides medium-term revenue visibility with healthy occupancy levels for existing and planned vessels. KMEWL's profit before interest, lease rentals, depreciation and taxation (PBILDT) margin has sustained above 30% over the last three years translating into healthy cash accruals. Going forward, CARE Ratings Limited (CareEdge Ratings) expects KMEWL's revenues to grow by 15-20% p.a. over the medium term with sustenance of PBILDT margin above 35% p.a.

Ratings also factor in KMEWL's long and established track record, vast experience of promoters, established clientele base and comfortable capital structure and debt coverage metrics marked by overall gearing and total outside liabilities to tangible net worth (TOL/TNW) below unity as on March 31, 2025, and PBILDT interest coverage above 5x in FY25. Ratings also factor in the sizeable debt-funded capex in the range of ₹200 - ₹300 crore planned by the company over the next three years, including discretionary capex, towards acquisition of new dredgers / port ancillary crafts to meet the requirements of awarded work orders. Timely completion of the said capex, without major cost and time overruns leading to optimal fleet utilisation, remains a key monitorable. CareEdge Ratings expects KMEWL to maintain a comfortable capital structure over the medium term driven by healthy accruals, despite the planned debt-funded capex.

However, rating strengths are tempered by KMEWL's moderate scale of operations, a concentrated order book with top three orders accounting for 60% of the order book and working capital intensive operations characterised by high gross current asset days. Ratings also consider the relatively higher age of its trailing suction hopper dredger (TSHD) fleet at over 50 years, which could entail significant maintenance/replacement capex in the near term. Ratings also factor in the dependence on the shipping and maritime industry which exhibits intense competitive, cyclicity, and regulatory risks.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Growth in scale of operations to above ₹500 crore and maintaining PBILDT margins above 30% on a sustained basis.
- Improvement in the working capital cycle leading to improved liquidity profile.

#### Negative factors

- Significant decline in scale of operations or PBILDT margin leading to below envisaged cash accruals.
- Overall gearing above 1.5x or TD/PBILDT above 2.25x on a sustained basis.
- Increased working capital intensity with extension in collection days.

### Analytical approach: Consolidated

Consolidated financials have been considered due to presence of common management, brand name, and operational linkages with subsidiary. List of entities considered for consolidation mentioned in Annexure- 6.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

**Outlook: Stable**

The Stable outlook on the long-term rating reflects CareEdge Ratings' expectations that KMEWL will maintain an adequate financial risk profile on the back of its extensive track record in shipping industry while benefitting from its promoters' experience.

**Detailed description of key rating drivers:**
**Key strengths**
**Steady profitability and strong order book**

KMEWL's profitability continues to remain healthy with PBILDT margin sustaining above 30% and profit after tax (PAT) margin over 20% over the last five years indicating operational efficiency. The high profitability is attributable to KMEWL's in-house repair and maintenance capabilities, which limit costs and maintenance time, and superior utilisation of fleet. In FY25, its PBILDT margin improved to ~39% compared to ~30% in FY24 and PAT margin improved to 24.71% compared to 20.17% in FY24 translating into healthy gross cash accruals of ~₹63 crore in FY25. As on May 30, 2025, the total unexecuted order book position stood at ~₹882 crore, which is ~4.4x of billing in FY25, providing medium-term revenue visibility. Top five unexecuted orders account for ~74% of total unexecuted order book with one project being 40%, indicating order book concentration risks. However, presence of strong counterparties and healthy execution track record mitigate the risks to an extent. Going forward, CareEdge Ratings expects PBILDT margin to sustain over 35% p.a. with increasing order book.

**Comfortable capital structure and debt coverage indicators**

The company's capital structure remains comfortable marked by overall gearing and TOL/TNW at 0.61x and 0.78x as on March 31, 2025, despite increase in total debt to ₹129 crore as on March 31, 2025 (PY: ₹56 crore) to fund the acquisition of vessels. Its TNW improved to ₹220 crore as on March 31, 2025, driven by healthy accruals. KMEWL's debt coverage indicators stood comfortable marked by PBILDT interest coverage of ~8x and TD/PBILDT at 1.71x in FY25 (PY: 12.7x and 1.21x, respectively). While CareEdge Ratings expects KMEWL's capital structure and debt coverage metrics to report some moderation in the next 1-2 years due to planned debt-funded capex for acquisition of vessels, the company is expected to maintain a comfortable financial risk profile with overall gearing below unity and PBILDT interest coverage above 5x.

**Experienced promoters with vast experience in shipping industry**

KMEWL is promoted by Kewalramani's and Daswani's, who have over a decade of experience in the shipping industry and are well supported by management team having technical skills. This has helped it develop strong relationships with key port authorities such as Visakhapatnam Port Trust, Kolkata Port Trust, Myanmma Port Authority, Deendayal Port Trust, Inland Waterways Authority of India, and Dredging Corporation of India Limited, among others. The promoters' experience and established track record in the industry is expected to aid in the company's scale up over the coming years.

**Key weaknesses**
**Project risks emanating from sizeable, planned debt-funded capex**

KMEWL plans to incur total capex in the range of ₹200 - ₹300 crore in the next three years, including discretionary capex and maintenance capex, partly funded by external borrowings of ~₹200 crore. With financial closure pending and capex being an nascent stage, the company is exposed to project risks. However, the risk is mitigated to an extent as acquisition of vessels is planned to be done only post receipt of the orders, reducing utilisation uncertainty. Nevertheless, timely confirmation of the orders, financial closure, and completion of the capex without substantial cost and time overruns remain key monitorable.

**Moderate scale of operation and ageing dredger fleet**

KMEWL's total operating income (TOI) grew by ~23% YoY to ₹201 crore in FY25 compared to ₹164 crore in FY24, primarily considering execution of export orders and rising fleet. However, TOI continues to remain at moderate levels limiting the benefit of economies of scale. Going forward, increase in scale of operations and achievement of envisaged revenues is crucial from credit perspective. At the consolidated level, the company operates a fleet of 12 dredgers including seven cutter suction dredgers acquired in FY25. However, its existing fleet of three TSHD vessels, which accounted for ~47% of overall revenue in FY25, exhibits high ageing with average age of ~50 years. While the company had refurbished the vessels at the time of purchase, such old vessels could entail significant maintenance and/or replacement cost to the company in the near term.

**Working capital intensive nature of operation**

The company operates in a working capital intensive industry marked by elongated gross current assets at ~259 days in FY25, compared to ~182 days in FY24, owing to sizeable receivables and fund blocked in the form of margin money. While the average working capital cycle stood at ~55 days in FY25, the average collection period was high at ~100 days considering delay in receipts from few customers.

### Exposure to tender-driven nature of business and cyclical nature of maritime industry

The tender-driven nature of contracts poses huge competition and puts pressure on the profit margins of the players. KMEWL faces competition from other companies for tenders or contracts and hence, successful bidding of the contracts also remained critical. The contracts with the government organisations remain cyclical in nature as the same primarily depend on the budgetary allocations. Hence, changes in the budgetary allocations may impact the company's revenue visibility. The company depends on the maritime industry for its revenue and is impacted by the performance of entities in the industry including ports and waterways. The industry is also impacted by preferences of government spending in the form of trade promotion and budgetary allocation and regime changes could impact the business prospects.

### Liquidity: Adequate

KMEWL's liquidity is expected to remain adequate marked by sufficient projected gross cash accruals over next 2-3 years against fixed repayment obligation (incl. projected term loan) of ₹30-60 crore p.a. (excluding prepayments done in Q1 FY26) over next three years. The company plans to incur growth capex in the range of ₹200 - ₹300 crore over the next three years partly funded by external borrowings of ~₹200 crore, in line with requirements under new contracts awarded. KMEWL's liquidity is further supported by sizeable free cash and bank balances of ~₹45 crore as on March 31, 2025 (at the consolidated level). Its current ratio stood at ₹1.14x and quick ratio also stood at 1.13x as on March 31, 2025.

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

### Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

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### About the company and industry

#### Industry classification

| Macroeconomic indicator | Sector   | Industry             | Basic industry |
|-------------------------|----------|----------------------|----------------|
| Services                | Services | Engineering services | Dredging       |

KMEWL is engaged in providing dredging services, owning and operating marine craft, and repairing, maintaining and refitting marine crafts and marine infrastructure. Its fleet includes pilot boat, speed patrol boat, survey boat, grab dredger, trailing suction hopper dredger, mooring launches and service boat. At the consolidated level, it has 39 dredgers and port ancillary vehicles (incl under construction) as on March 31, 2025. The company was incorporated in 2015 by Saurabh Daswani and Kanak Kewalramani. It was listed on BSE SME Platform in 2021 and migrated to the Main Board of NSE in 2024.

| Consolidated Brief Financials (₹ crore) | March 31, 2024 (A) | March 31, 2025 (Abridged) |
|---|--------------------|---------------------------|
| Total operating income                  | 163.58             | 200.71                    |
| PBILDT                                  | 49.88              | 78.22                     |
| PAT                                     | 33.00              | 49.60                     |
| Overall gearing (times)                 | 0.35               | 0.61                      |
| Interest coverage (times)               | 12.66              | 7.99                      |

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: 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-Working Capital Limits | -    | -                             | -               | -                          | 11.00                       | CARE BBB+; Stable / CARE A2        |
| Non-fund-based - ST-Bank Guarantee         | -    | -                             | -               | -                          | 83.25                       | CARE A2                            |
| Term Loan-Long Term                        | -    | -                             | -               | 09-01-2030                 | 205.75                      | CARE BBB+; Stable                  |

**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       | Term Loan-Long Term                        | LT              | 205.75                       | CARE BBB+; Stable           | -   | -   | -   | -   |
| 2       | Fund-based - LT/ ST-Working Capital Limits | LT/ST           | 11.00                        | CARE BBB+; Stable / CARE A2 | -   | -   | -   | -   |
| 3       | Non-fund-based - ST-Bank Guarantee         | ST              | 83.25                        | CARE A2                     | -   | -   | -   | -   |

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/ ST-Working Capital Limits | Simple           |
| 2       | Non-fund-based - ST-Bank Guarantee         | Simple           |
| 3       | Term Loan-Long Term                        | Simple           |

**Annexure-5: Lender details**

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

**Annexure-6: List of entities consolidated**

| Sr. No | Name of the entity                    | Extent of consolidation | Rationale for consolidation |
|--------|---------------------------------------|-------------------------|-----------------------------|
| 1      | Indian Ports Dredging Private Limited | Full                    | Subsidiary                  |
| 2      | Knowledge Infra Ports Private Limited | Full                    | Subsidiary                  |
| 3      | Knowledge Marine Co. W.L.L.           | Full                    | Subsidiary                  |
| 4      | Knowledge Dredging Co. W.L.L.         | Full                    | Subsidiary                  |
| 5      | KMEW Offshore Private Limited         | Full                    | Associate                   |

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

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