



Press Release

Kanoria Energy and Infrastructure Limited

February 21, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	106.19	IVR BBB-/Negative (IVR Triple B Minus with Negative Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Outlook revised from Stable to Negative	Simple
Short Term Bank Facilities	30.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Rating reaffirmed	Simple
Total	136.19	(Rupees One hundred thirty-six crore and nineteen lakhs only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities for the long-term facilities to IVR BBB- and revised the outlook from stable to negative and short-term facilities to IVR A3 of Kanoria Energy and Infrastructure Limited (KEIL).

The ratings continue to draw comfort from experienced promoters with established track record of operations in the AC building material and professional management, recognised regional brand backed by established agent/distribution network. The ratings further draw support from the growing scale of operations with moderate profitability along with moderate capital structure and debt coverage indicators. However, these rating strengths are partially offset by predominantly debt funded large size capital expenditure along with vulnerability of margins to volatility in prices of key raw materials and foreign exchange rates coupled with regulatory and environmental issue surrounding key raw material asbestos.

The outlook has been revised from Stable to Negative on account of significant decline in profitability of the company during 9MFY24 and expected pressure of the profitability going forward. However, Infomerics believes KEIL will continue to benefit from its operational track record in the business resulting in increased scale of operations.

Infomerics Ratings has principally relied on the standalone audited financial results of KEIL up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to 2 March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Substantial volume driven growth in TOI along with improvement in operating profitability over 9% on sustained basis.
- Sustained improvement in capital structure

Downward Factors

- Any decline in scale of operations and/or profitability, leading to significant deterioration of debt protection metrics.
- Delay in completion of the project with cost overrun or significant delay in commencement of operations.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with established track record of operations in the AC building material and professional management**

KEIL is managed by members of Kanoria family who have long experience in AC building material industry. KEIL has an established operational track record of more than three decades in the manufacturing of AC building material products. The directors are involved in the day-to-day operations of the company, handling respective functions, and are supported by a team of qualified and experienced professional management team.

- **Recognized regional brand backed by established agent/distribution network**

KEIL's majority of sales are in the domestic market, and it markets its pipes under the brand name of "KIRTI" and its sheets under the brand name of "JAI KIRTI" and "LOTAS" which are well-established in the market and are registered under the Trademark Act. The company has a network of 80 dealers and 300+ distributors across different states.

- **Growing scale of operations with moderate profitability**

The TOI of the company has grown at CAGR of 9.18% during last three years ending March 31, 2024, on y-o-y basis the TOI has grown by 11.01% and stood at Rs. 347.78 crore in FY24 against Rs. 313.29 crore in FY23, on account of increase in sales volume of roofing sheets along with increase in average realization of both of its product. The



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EBITDA margin of the company declined by 32 bps and stood at 7.42% in FY24 against 7.73% in FY23 on account of an increase in raw material consumption cost. The increase in the prices of raw materials is primarily on account of increased geopolitical risk resulting in disruption in supply of asbestos fibre requirements from Russia. Russia, Brazil, and Kazakhstan, together produce around 90% of the world's asbestos fibre. Further, the company has moved to Brazil and procured 50% of its raw material requirement at higher transportation cost impacted the procurement cost. With the decline in EBITDA margin along with increase in interest and finance cost, the PAT margin of the company has also moderated by 77 bps and stood at 2.26% in FY24 against 3.04% in FY23. The GCA stood at Rs. 11.16 crore in FY24 against Rs. 12.89 crore in FY23 on account of decline in profitability. During 9MFY25 the company has reported TOI of Rs. 231.23 crore which was Rs. 270.89 crore in 9MFY24. Further the EBITDA margin and PAT margin for 9MFY24 stood at 7.54% and 1.66% respectively which was 8.13% and 2.87% respectively in 9MFY24.

- **Moderate capital structure and debt coverage indicators**

The capital structure of the company stood moderate marked by the overall gearing at 1.42x as on March 31, 2024, moderated from 1.37x as on March 31, 2023, on account of higher utilization of working capital bank borrowings as on balance sheet date along with issuance of preference shares amounting to Rs. 3.39 crore during FY24. The TOL/TNW stood at 2.36x as on March 31, 2024, deteriorated from 2.26x as on March 31, 2023, on account of increase in creditors. The debt protection metrics of the company stood moderate with ICR of 2.00x in FY24 deteriorated from 2.34x in FY23 on account of increase in finance cost. The total debt to GCA stood high at 11.22x as on March 31, 2024 deteriorated from 8.59x as on March 31, 2023, due to higher increase in total debt. The DSCR of the company stood at 1.13x in FY24 against 1.39x in FY23.

B. Key Rating Weaknesses

- **Predominantly debt funded large size capital expenditure.**

The company is undertaking project for setting up a Distillery Complex in the State of Madhya Pradesh with an installed capacity of 250 KLPD Grain Based Ethanol with 7MW of cogen plant in Jabalpur, Madhya Pradesh. The company has acquired the required land for the project and plant will be established with a total area of 25.05 acres. The estimated



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cost of the project is Rs. 280 crores which will be funded through a term loan of Rs. 224.00 crore, preference shares of approx. Rs. 30.00 crore and remaining Rs. 26.00 crore through internal accrual. Till date the company has acquired 25.05 acres of land, company is waiting further approvals to proceed with the project.

- **Vulnerability of margins to volatility in prices of key raw materials and foreign exchange rates**

The key raw materials for AC sheets and AC pipes are asbestos fibre, Portland cement, fly-ash, lime, of which asbestos fibre comprises major portion of the total cost. The prices of select raw materials are volatile in nature, exposing the company's profitability to any adverse price variation. Furthermore, while the entire requirement of asbestos fibre is imported from countries such as Russia, Brazil, Kazakhstan, cement is procured from domestic manufacturers and fly-ash is obtained from nearby thermal power plants. The company imported raw material, stores and spares amounting to Rs. 154.00 crore in FY24. The company does not hedge its foreign currency exposure and hence is exposed to foreign currency fluctuation risk with respect to the unhedged portion.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity – Adequate

The liquidity position of the company is adequate, marked by its sufficient cash accruals as against its repayment obligations. The Company's average fund based working capital limit utilization stood moderate at 87.97% for the last 12 months ended May 2024 indicate adequate buffer in its working capital limits. Further, the company had free cash and cash equivalents to the tune of Rs.1.54 crore as on March 31, 2024, which is expected to support the liquidity



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profile of the company in the near to medium term. The current ratio of the company stood moderate at 1.23x as on March 31, 2024. Further, the company expects sufficient cushion in cash accruals against its debt repayments. The company is expecting GCA in the range of Rs. 13.57 Cr. - Rs. 17.44 Cr. during FY25-27 against debt repayment of Rs. 9.76 Cr.- 6.15 Cr. in FY25-27. The Working Capital Cycle of the company stood elongated at 119 days in FY24 days which was 106 days in FY23.

About the Company

Kanoria Energy and Infrastructure Limited (KEIL), erstwhile A Infrastructure Ltd., was incorporated in 1980 as public limited company in the name of Shree Pipes Limited. 6 KEIL initially started its operations with manufacturing of AC pressure pipes. Later in 2006, the company also started with manufacturing of AC sheets. The company owns three manufacturing plant at Hamirgarh, Bhilwara with installed capacity of 43200 MT/annum and 22800 MT/annum for manufacturing of Mazza AC pipes and fittings. In addition to this, company owns one more manufacturing plant at Bhilwara with installed capacity of 150000 MT/annum for A.C. Roofing Sheets and Accessories. Further the company has leased one manufacturing plant at Ahmedabad (leased facility) with aggregate installed capacity of 66000 MT/annum for Asbestos Cement A.C. Corrugated Roofing Sheets and Accessories. The company markets its pipes under the brand name of "KIRTI" and its sheets under the brand name of "JAI KIRTI" and "LOTAS". The company has recently on April 19, 2023, has changed its name from A Infrastructure Limited to Kanoria Energy & Infrastructure Limited. Further, the company is coming up with a project for setting up a Distillery Complex in the State of Madhya Pradesh with an installed capacity of 250 KLPD Grain Based Ethanol with 7MW of cogen plant in Jabalpur, Madhya Pradesh.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	313.29	347.78
EBITDA	24.23	25.80
PAT	9.61	7.90
Total Debt	110.68	125.23
Adj. Tangible Net Worth (Including Quasi Equity)	80.84	88.37
EBITDA Margin (%)	7.73	7.42
PAT Margin (%)	3.04	2.26



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Overall Gearing Ratio (x)	1.37	1.42
Interest Coverage (x)	2.34	2.00

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Vide press release dated May 23, 2024; Brickwork Ratings India Private Limited have kept the ratings under non-cooperation category on account of non-submission of relevant information

Any other information: Not applicable

Rating History for last three years:

S r. N o.	Name of Security/Facilities	Current Ratings (Year 2024-2025)				Rating History for the past 3 years			
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating (s) assigned in 2024-25	Date(s) & Rating (s) assigned in 2024-25	Date(s) & Rating (s) assigned in 2023-24	Date(s) & Rating (s) assigned in 2022-23	Date(s) & Rating (s) assigned in 2021-22
					November 19, 2024	July 23, 2024	Jan 24, 2024	-	-
1.	Fund Based Limits	Long Term	106.19	IVR BBB- / Negative	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable Dec 08, 2023 IVR BBB/R WNI May 24, 2023 IVR BBB/Stable	-	-
2.	Non-Fund Based	Short Term	30.00	IVR A3	IVR A3	IVR A3	IVR A3	-	-



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S r. N o.	Name of Security/Facilities	Current Ratings (Year 2024-2025)				Rating History for the past 3 years			
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating (s) assigned in 2024-25	Date(s) & Rating (s) assigned in 2024-25	Date(s) & Rating (s) assigned in 2023-24	Date(s) & Rating (s) assigned in 2022-23	Date(s) & Rating (s) assigned in 2021-22
					November 19, 2024	July 23, 2024	Jan 24, 2024	-	-
							Dec 08, 2023 IVR A3+		
							May 24, 2023 IVR A3+		

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit



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ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facility – Term Loan	-	-	-	Feb 2029	20.38	IVR BBB-/ Negative
Long Term Facility – GECL	-	-	-	Jan 2028	10.81	IVR BBB-/ Negative
Long Term Facility – Cash Credit	-	-	-	-	75.00	IVR BBB-/ Negative
Short Term Facility – Bank Guarantee	-	-	-	-	10.00	IVR A3
Short Term Facility – Letter of credit	-	-	-	-	20.00	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-kanoria-energy-feb25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable



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Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

