

March 06, 2025

KP Green Engineering Limited: Long term rating reaffirmed; short term rating assigned; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based – Term loan (GECL)	-	1.08	[ICRA]A- (Stable); assigned
Long term – Fund based – Cash credit	25.00	108.75	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Short term – Non Fund based – Bank guarantee (BG)	-	1.50	[ICRA]A2+; assigned
Short term – Non Fund based – Letter of credit (LC)	-	4.00	[ICRA]A2+; assigned
Short term – Non Fund based – BG/LC	-	15.00	[ICRA]A2+; assigned
Long term/ Short term – Unallocated limits	-	64.67	[ICRA]A- (Stable)/ [ICRA]A2+; assigned
Total	25.00	195.00	

*Instrument details are provided in Annexure I

Rationale

The rating factors in the established track record of KP Green Engineering Limited (KPGEL) in designing, manufacturing and fabrication of products mainly for the renewable energy, transmission and telecom verticals. The company is a part of the KP Group, which has an established track record in the renewable energy sector. The rating also considers the company's comfortable credit profile driven by healthy revenue growth, low long-term debt and strong debt coverage metrics.

The company's revenue increased at a healthy CAGR of ~63% to Rs. 351.33 crore in FY2024 from Rs. 49.36 crore in FY2020, driven by the increase in demand for the company's products mainly from the power sector. The order book position remains healthy at ~Rs. 403 crore as on January 01, 2025 with an execution timeline of approximately six months, indicating healthy revenue growth in the near term. Moreover, its strong association with the customers and the diversified product offerings, ensure repeat orders.

ICRA notes that at present, the company is undertaking capacity expansion for the existing line of products, along with adding new products to the portfolio through the manufacturing facility being set up at Matar, Bharuch, Gujarat. The new facility will have a capacity of 2,94,000 MTPA, which is a substantial increase from the existing capacity of 53,000 MTPA. The facility is expected to be fully operational from April 2025. Most of the funding for this plant will be done from the proceeds of the Initial Public Offering (IPO) of Rs. 189.50 crore, which concluded in March 2024.

The rating is, however, constrained by the company's high client concentration risk with ~48% of the order book from the Group companies, which makes it susceptible to the overall Group performance and demand outlook, along with the transfer pricing policy amongst the Group entities. The revenue also remains dependent on the capital investments undertaken by the end-user industries and, thus, makes it susceptible to cyclicity. Further, the company's profitability remains exposed to the adverse fluctuations in raw material prices. However, the price-variation clause in some of the contracts mitigates this risk to an extent. The rating also remains constrained by a highly fragmented and competitive industry, driven by the low capital-intensive nature of the business and limited technical knowledge required to manufacture fabricated products.

The Stable outlook on the rating reflects ICRA's opinion that KPGEL's revenues and accruals will be supported by its healthy order book. Also, the company will continue to benefit from its established track record in the manufacturing/fabrication industry.

Key rating drivers and their description

Credit strengths

Established track record with a diversified product portfolio of products - KPGEL was incorporated in 2001 by Mr. Faruk G. Patel and is involved in manufacturing, fabrication and galvanising (hot-dip) of heavy steel structures mainly catering to the renewable energy, transmission and telecom verticals. The company is a part of the KP Group, which has established presence in the renewable energy sector. The company's product portfolio comprises tower structures, substation structures, solar module mounting structures, cable trays, earthing strips, beam crash barriers and other infrastructure solution products mainly for the power and telecom sectors. As part of its service portfolio, the company also provides various services to its clients including fault rectification services (FRT) for optical fibre cables to telecom operators, job work for galvanizing and solar rooftop installation. Additionally, the company will foray into new products and cater to new verticals of road and rail infrastructure with the commencement of operations at the new facility.

Current capacity expansion will increase manufacturing capacity significantly with addition of new products to the portfolio

- The company is setting up a new manufacturing facility at Matar, Bharuch, Gujarat. This facility will have a capacity of 2,94,000 MTPA, which is a substantial increase from the existing capacity of 53,000 MTPA. The company plans to introduce new line of products at this facility including high mast and lighting poles, floor gratings, pre-engineered buildings, transmission monopoles, heavy transmission lattice towers and windmill tubular towers. The company will also be able to cater to the road and rail infrastructure verticals through the new facility apart from the existing verticals of renewable energy, transmission and telecom that it has been serving. This is expected to support the company's future revenue growth.

Comfortable credit profile, evident from healthy revenue growth, low long-term debt and strong debt coverage metrics -

The company's revenue increased at a healthy CAGR of ~63% to Rs. 351.3 crore in FY2024 from Rs. 49.4 crore in FY2020, driven by the increase in demand for the company's products mainly from the power sector. In the current fiscal, the company booked sales of Rs. 401.5 crore in 9M FY2025 and the full-year revenue for FY2025 is expected to be around Rs. 550 crore, leading to healthy year-on-year (YoY) revenue growth in the current fiscal as well. The company's capital structure remains comfortable with a gearing of 0.5x and total debt/OPBDITA of 1.9x as of September 2024. The capital structure has been supported by the recent initial public offering of Rs. 189.50 crore, the proceeds of which, will be mainly utilised towards the current capacity expansion undertaken by the company. The debt coverage metrics also remain strong due to low long-term debt with an interest coverage of 7.8x and DSCR of 5.3x in H1 FY2025.

Healthy order book position - The company's balance order book as on January 01, 2025, stood healthy at Rs. 402.67 crore, providing near-term revenue visibility. The orders amounting to ~Rs. 208 crore are to be executed by March 2025, while the rest of the orders of ~Rs. 195 crore are to be executed after March 2025. Most of the company's orders are short-term in nature, with the execution to be done in a maximum of approximately six-month time frame.

Credit challenges

High client concentration - The company's customer profile remains highly concentrated with more than 60% of the revenue being derived from the top five customers in FY2024. Moreover, ~29% of the revenue came from the Group companies in FY2024. Further, ~48% of the company's current order book (as of January 2025) is concentrated towards orders from the Group companies, which makes it susceptible to the overall Group performance and transfer pricing policy. Going forward, the contribution of Group companies to total sales is expected to remain in the range of 30-35% in value terms.

Intense competition - The company operates in a highly fragmented and competitive industry marked by the presence of many organised and unorganised players. The entry barriers for the industry remain low as reflected in the low capital-intensive nature of the business and limited technical knowledge required to manufacture metal structures. However, the proven track record of KPGEL in the industry for more than 20 years, supported by the extensive experience of the promoter and the established presence of the KP Group in the power sector (through KPI Green Energy Limited and its subsidiaries, and K.P. Energy Limited), mitigate the competitive risk to an extent. Also, the company has a large portfolio of products, which enables it to become a one-stop solution provider for all the renewable energy infrastructure needs of the clients. Additionally, the company is an accredited vendor for GETCO (Gujarat Energy Transmission Corporation Limited) and MSETCL (Maharashtra State Electricity Transmission Company) for lines up to 400 KV and 220 KV, respectively, which adds to its credibility.

Profitability exposed to raw materials price fluctuations - The company's profitability remains exposed to any adverse fluctuations in the prices of raw materials (mainly steel and zinc). This risk is mitigated to an extent by the presence of price variation clause in some of the contracts.

Environmental and Social Risks

Environmental considerations: KPGEL operates as a one-stop solution provider for the infrastructure needs of the renewable energy sector, which aligns with the global sustainability goals of supporting clean energy generation and reducing dependence on conventional power sources. The company ensures strict compliance with environmental regulations, holding all necessary statutory approvals and permits for its manufacturing facilities. Also, the company has implemented robust environmental management systems to minimise emissions, optimise resource usage, and ensure responsible waste management, exhibiting low environment risks.

Social considerations: On the social front, KP Green Engineering Limited ensures that its growth and expansion initiatives do not adversely impact communities. In its recent land acquisition for capital expenditure, the company planned the process to avoid any negative effects on civilisation, livelihood, and local ecosystem, while providing proper compensation to the landowners. Additionally, the company has established a robust safety organisation structure for its employees and conducts regular certification programmes, safety audits, and assessments to uphold the highest safety standards across its facilities.

Liquidity position: Adequate

KPGEL's liquidity profile remains adequate, driven by healthy cash and bank balances of ~Rs. 62 crore as of September 2024, supported by the proceeds from the IPO. The cash balances will be largely utilised towards the ongoing capex. Going forward, the cash flow from operations and the available cash balances are expected to be sufficient to service the debt repayment obligations.

Rating sensitivities

Positive factors – ICRA could upgrade KPGEL's rating, if the company is able to significantly scale-up its operations while maintaining its profitability and healthy debt metrics, along with improving its customer diversification and liquidity.

Negative factors – Pressure on the rating could arise, if the scale of operations and/or profitability declines. A stretched working capital cycle impacting the cash flows or large liquidated damages (LD) claims affecting profitability could be the other negative triggers. A specific credit metric for downgrade would be the interest coverage remaining at 4.0x or below on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

The company was founded by Mr. Faruk G. Patel in 2001 as KP Buildcon Private Limited. The name was changed to KP Green Engineering Private Limited (KPGEL) in July 2023 and it was subsequently converted into a public limited company. The company got listed on the BSE SME platform in March 2024.

KPGEL is involved in manufacturing, fabrication and galvanising (hot-dip) of heavy steel structures mainly catering to the renewable energy, transmission and telecom verticals. Its product portfolio includes lattice tower structures, substation structures, solar module mounting structures, cable trays, earthing strips, beam crash barriers and other infrastructure solution products mainly for the power and telecom sectors. The company is an accredited vendor for GETCO (Gujarat Energy Transmission Corporation Limited) and MSETCL (Maharashtra State Electricity Transmission Company) for lines up to 400 KV and 220 KV, respectively.

As part of its service portfolio, the company also provides various services to its clients including fault rectification services (FRT) for optical fibre cables to various telecom operators, job work for galvanizing and solar rooftop installation.

Key financial indicators (audited)

KPGEL (Standalone)	FY2023	FY2024	H1FY2025*
Operating income	114.25	351.33	262.36
PAT	12.21	35.58	27.48
OPBDIT/OI	18.45%	15.67%	15.12%
PAT/OI	10.68%	10.13%	10.48%
Total outside liabilities/Tangible net worth (times)	1.90	0.55	0.81
Total debt/OPBDIT (times)	0.84	0.66	1.91
Interest coverage (times)	5.73	11.05	7.84

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025)		Chronology of rating history for the past 3 years							
		Amount rated (Rs. crore)	Mar 06, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Cash Credit	Long term	108.75	[ICRA]A-(Stable)	Feb 10, 2025	[ICRA]A-(Stable)	-	-	-	-	-	-
Fund based – Term Loan (GECL)	Long term	1.08	[ICRA]A-(Stable)	-	-	-	-	-	-	-	-
Non Fund based - BG	Short term	1.50	[ICRA]A2+	-	-	-	-	-	-	-	-
Non Fund based - LC	Short term	4.00	[ICRA]A2+	-	-	-	-	-	-	-	-
Non Fund based – BG/LC	Short term	15.00	[ICRA]A2+	-	-	-	-	-	-	-	-
Unallocated limits	Long term/ Short term	64.67	[ICRA]A-(Stable)/ [ICRA]A2+	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based – Cash Credit	Simple
Long term – Fund based – Term Loan (GECL)	Simple
Short term – Non Fund based - BG	Very Simple
Short term – Non Fund based - LC	Very Simple
Short term – Non Fund based – BG/LC	Very Simple
Long term/ Short term – Unallocated limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based – Cash Credit	NA	NA	NA	108.75	[ICRA]A- (Stable)
NA	Fund based – Term Loan (GECL)	Nov-2021	-	Nov-2026	1.08	[ICRA]A- (Stable)
NA	Non Fund based - BG	NA	NA	NA	1.50	[ICRA]A2+
NA	Non Fund based - LC	NA	NA	NA	4.00	[ICRA]A2+
NA	Non Fund based – BG/LC	NA	NA	NA	15.00	[ICRA]A2+
NA	Unallocated limits	NA	NA	NA	64.67	[ICRA]A- (Stable)/ [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3406

girishkumar@icraindia.com

Vikram V

+91 40 6939 6410

vikram.v@icraindia.com

Rachit Mehta

+91 22 6169 3328

rachit.mehta2@icraindia.com

Rishi S Tekchandani

+91 79 6923 3066

rishi.tekchandani@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6169 3304

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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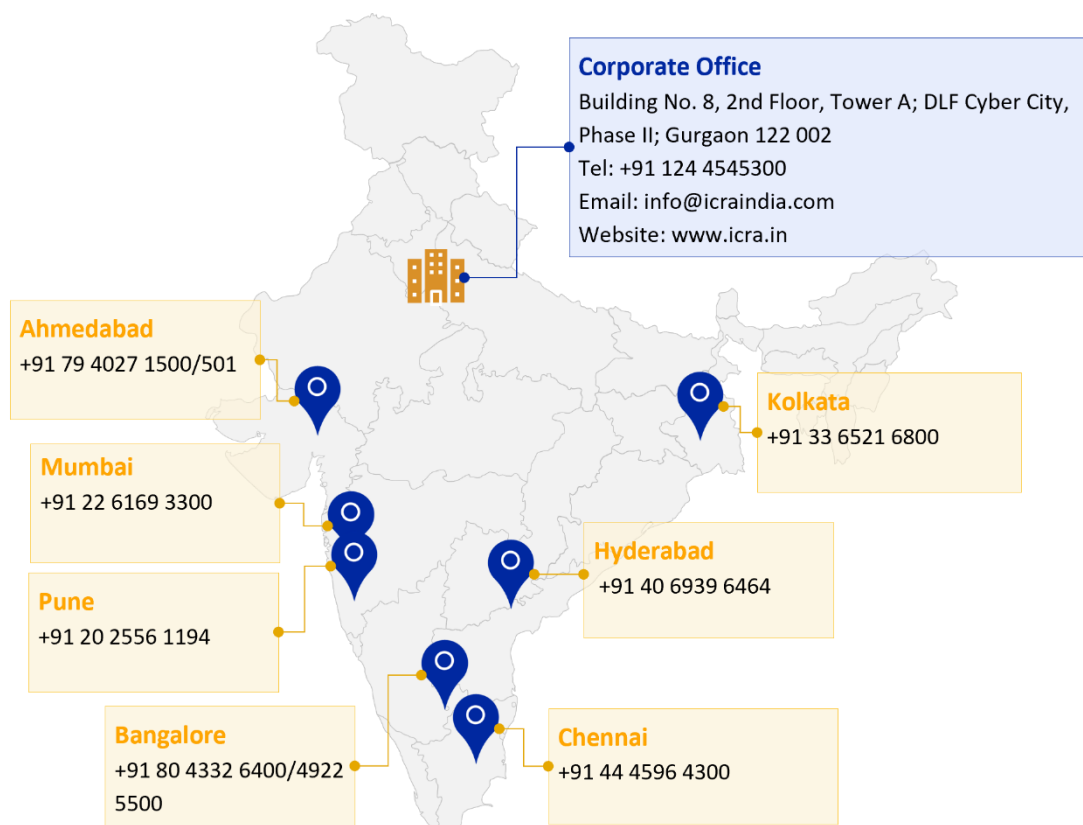
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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