Crisil
Ratings

Rating Rationale

July 08, 2025 | Mumbai

Kanohar Electricals Limited

Ratings upgraded to 'Crisil A-/Stable/Crisil A2+'

Rating Action

Total Bank Loan Facilities Rated	**Rs.360 Crore**
Long Term Rating	**Crisil A-/Stable (Upgraded from 'Crisil BBB+/Stable')**
Short Term Rating	**Crisil A2+ (Upgraded from 'Crisil A2')**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has upgraded its ratings on the bank facilities of Kanohar Electricals Ltd (KEL) to '**Crisil A-/Stable/Crisil A2+**' from 'Crisil BBB+/Stable/Crisil A2'.

The upgrade factors in the company's sustained improvement in the business risk profile on account of healthy order execution and stable operating profitability. In fiscal 2025, the company clocked turnover of Rs 445 crore *(Rs. 301 crores during previous fiscal)*, which is expected to improve further by more than 25% during fiscal 2026. Revenue visibility is strong on the back of order book of more than Rs 1,450 crore as of May 2025, which is over 3.2 times the revenue for fiscal 2025. The business risk profile has been further aided by steady increase in operating profitability to ~ 21% during fiscal 2025 *(11.45% during previous fiscal)*, supported by healthy execution of high MVA transformers, which carries better margin. With existing order book comprising 78% of orders pertaining to high MVA transformers, the operating profitability is likely to sustain at 20-22% over the medium term as well.

The upgrade also factors in the company's robust financial risk profile, aided by its efficient working capital management and hence, moderate reliance on external debt. Absence of sizeable debt-funded capital expenditure (capex) and expected accretion to reserve shall continue to aid the financial risk profile over the medium term as well. Liquidity stands comfortable too, backed by healthy net cash accrual vis-à-vis maturing debt, cushion in bank limit and unencumbered cash reserves.

The ratings reflect the established market position of KEL, driven by the extensive industry experience of its promoters and its healthy financial risk profile. These strengths are partially offset by moderate, but improving, scale of operations and working capital-intensive operations.

Analytical Approach

Crisil Ratings has evaluated the standalone business and financial risk profiles of KEL.

Key Rating Drivers & Detailed Description

Strengths:

Established market position: The promoters have more than four decades of experience in the power transmission industry. On the back of their experience, the company has evolved into an EPC (engineering, procurement, and construction) transmission entity from a pure power products manufacturer. It has also started undertaking projects for transmission lines and has produced a transformer of 500 MVA and Scott transformers in fiscal 2025. It has multiple orders in the pipeline for fiscal 2026. Furthermore, customer profile is diversified as the company has worked for various State Transmission utilities (STUs), public sector undertakings (PSUs) and private companies across India, and has recently added orders from the Indian Railways for supply of scott transformers.

Revenue growth was healthy at nearly 45% during fiscal 2025 and is further expected to improve by more than 25% in fiscal 2026. Order book of more than Rs 1,450 crore provide further revenue visibility for the medium term, with diversity in nature of work and counterparty. Timely execution of orders with stable operating profitability will further strengthen the market position over the medium term.

Healthy financial risk profile: KEL's capital structure has been at healthy level due to lower reliance on external funds yielding gearing of 0.15-0.2 time and low total outside liabilities to adj tangible net worth (TOL/ANW) of 0.7-0.8 time for year ending on 31st March 2025. As a result of no major debt funded capex expected in the medium term and limited reliance on its fund-based working capital facilities, the company's capital structure is expected to continue to remain comfortable over the medium term. Further, as a result of low reliance on debt, its debt protection measures are also expected to be at a healthy level over the medium term with interest cover to 13-14 times and net cash accruals to adjusted debt to 2.5-3 times in fiscal 2025 and further expected to improve over medium term.

Weaknesses:

Moderate, but improving, scale of operations: Though revenue increased at a compound annual growth rate of 18% over the four fiscals through 2025 and touched Rs 445 crore fiscal 2025, it continues to remain moderate. As the company manufactures power transformers, it faces intense competitive pressure in the domestic market, which constrains scalability. During fiscal 2025, the company got approval for manufacturing 500MVA *(400KV class)* and Scott transformers, which had aided the revenue growth in the said fiscal. With sizeable order book in hand, including orders pertaining to high MVA, Crisil believes that the revenue profile of KEL shall further improve by more than 25% during fiscal 2026. Going forward, sustained and significant increase in revenue while maintaining the operating profitability of over 20-22% will remain a key monitorable.

Working capital-intensive operations: Gross current assets are estimated at 200-220 days as on March 31, 2025, driven by inventory of 60-90 days and receivables of 90-110 days. Receivables tend to be high towards the end of the fiscal as the company has major EPC revenue booking in March. However, payments are realised within 40-60 days, on average, and are expected within the same range over the medium term as well. Furthermore, a portion of receivables also pertains to retention money. Nevertheless, the company has a price escalation clause in all its contracts, which mitigates the risk of any sharp fluctuation in input prices. The working capital cycle is supported by payables of 60-90 days, along with bank limit and cash accrual. Given the working capital intensive operation, Crisil believes that company's working capital requirements are likely to increase, amidst expected scalability, and its efficient management leading to sustained improvement in return on capital employed will remain a key monitorable.

Liquidity: Strong
Bank limit utilisation was around 29% for the 13 months through March 2025. Cash accrual is expected to be Rs 65-70 crore and will be more than sufficient to meet term debt obligation of Rs 1-2 crore over the medium term. In addition, it will act as a cushion to the liquidity of the company. Current ratios are healthy at 2.18 times on March31, 2024. The promoters are likely to extend support in the form of equity and unsecured loans to meet its working capital requirements and repayment obligations. High or moderate cash and bank balance of around Rs. 65 crore as on March 31, 2025. Low gearing and moderate net worth support its financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Outlook: Stable
Crisil Ratings believes KEL will continue to benefit from the extensive experience of its promoters and established relationships with clients.

Rating Sensitivity Factors
Upward factors
- Significant improvement in scale to over Rs 700 crore and sustenance of operating margin at 20-22% leading to more-than-expected net cash accrual
- Efficient working capital management leading to further improvement in financial risk profile and liquidity

Downward factors
- Decline in scale of operations and fall in operating margin below 7% leading to lower cash accrual
- Large debt-funded capital expenditure or substantial increase in working capital requirement adversely impacting liquidity and financial risk profile.

About the Company
KEL was promoted by the late Mr Kanohar Lal Singhal in 1972. The company manufactures transformers and gas insulated switchgears. The product profile includes power generation, transmission transformers, industrial and special-purpose transformers. The company also executes turnkey contracts for power transmission projects. It has two manufacturing units at Meerut, Uttar Pradesh.

Key Financial Indicators

As on/for the period ended March 31	Unit	2025*	2024
Operating income	Rs crore	445	301
Reported profit after tax (PAT)	Rs crore	66.30	20.67
PAT margin	%	14.90	6.85
Adjusted debt/adjusted networth	Times	0.12	0.22
Interest coverage	Times	13.19	5.78

**Provisional*

Any other information: Not applicable

Note on complexity levels of the rated instrument:
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Cash Credit	NA	NA	NA	33.00	NA	Crisil A-/Stable

NA	Letter of credit & Bank Guarantee	NA	NA	NA	315.00	NA	Crisil A2+
NA	Term Loan	NA	NA	31-Mar-27	12.00	NA	Crisil A-/Stable

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	45.0	Crisil A-/Stable	03-01-25	Crisil BBB+/Stable	23-12-24	Crisil BBB+/Stable	25-10-23	Crisil BBB+/Stable	01-11-22	Crisil BBB+/Stable	Crisil B /Stable(Issuer Not Cooperating)*
			--		--	16-12-24	Crisil BBB+/Stable		--	12-09-22	Withdrawn (Issuer Not Cooperating)*	--
			--		--		--		--	28-03-22	Crisil B /Stable(Issuer Not Cooperating)*	--
Non-Fund Based Facilities	ST	315.0	Crisil A2+	03-01-25	Crisil A2	23-12-24	Crisil A2	25-10-23	Crisil A2	01-11-22	Crisil A2	Crisil A4 (Issuer Not Cooperating)*
			--		--	16-12-24	Crisil A2		--	12-09-22	Withdrawn (Issuer Not Cooperating)*	--
			--		--		--		--	28-03-22	Crisil A4 (Issuer Not Cooperating)*	--

All amounts are in Rs.Cr.
** - Issuer did not cooperate; based on best-available information*

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	**10**	**YES Bank Limited**	**Crisil A-/Stable**
Cash Credit	**5**	**State Bank of India**	**Crisil A-/Stable**
Cash Credit	**8**	**Axis Bank Limited**	**Crisil A-/Stable**
Cash Credit	**10**	**HDFC Bank Limited**	**Crisil A-/Stable**
Letter of credit & Bank Guarantee	**65**	**YES Bank Limited**	**Crisil A2+**
Letter of credit & Bank Guarantee	**60**	**HDFC Bank Limited**	**Crisil A2+**
Letter of credit & Bank Guarantee	**45**	**Axis Bank Limited**	**Crisil A2+**
Letter of credit & Bank Guarantee	**145**	**State Bank of India**	**Crisil A2+**
Term Loan	**12**	**Axis Bank Limited**	**Crisil A-/Stable**

Criteria Details

Links to related criteria
[Basics of Ratings (including default recognition, assessing information adequacy)]
[Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)]

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