



Press Release
Kilburn Engineering Limited
February 20, 2025
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	90.00	ACUITE BBB+ Stable Upgraded Positive to Stable	-
Bank Loan Ratings	100.00	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	190.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to ‘ACUITE BBB+’ (read as ACUITE triple B plus) from ‘ACUITE BBB’ (read as ACUITE triple B) and its short-term rating of ‘ACUITE A2’ (read as ACUITE A Two) from ‘ACUITE A3+’ (read as ACUITE A Three plus) on the Rs. 190 Cr. bank facilities of Kilburn Engineering Limited (KEL). The outlook has been revised from ‘Positive’ to ‘Stable’.

Rationale for upgraded and revision in outlook

Acuite, vide its press release dated 06th February 2025, had reaffirmed its rating and revised its outlook from ‘Stable’ to ‘Positive’ against which the client had appealed and provided further information and updated Q3FY2025 financials. Accordingly, Acuite takes note of group's 9MFY2025 financials which reflects improved revenue and stable operating profit margin as compared to 9MFY2024.

Further, the rating upgrade continues to derive strength from long track record of operations and expertise of the group in the manufacturing of customised systems and equipment’s for diverse applications, improving operating performance along with longstanding relationship with reputed clients. The ratings favourably factor in KG’s healthy order book position providing strong medium-term revenue visibility buoyed by its execution capabilities. The rating is further supported by the moderate financial risk profile of the company characterized by moderate net worth, below unity gearing and healthy debt protection metrics.

Further, the rating upgrade reflects expected synergetic benefits at financial and business level from Kilburn Engineering Limited's (KEL) acquisition of M E Energy Private Limited (MEEPL) in February 2024, as well as the further acquisition of Monga Strayfield Private Limited (MSPL) on January 28, 2025, thus MEEPL and MSPL have become KELs wholly owned subsidiaries. However, the stabilization of operations and the realization of these benefits on the group’s operational and financial risk profile remain to be seen, thereby it will remain a key rating monitorable.

These strengths are however, partly offset by the working capital-intensive nature of operations, cyclicity in the domestic capex cycle.

About the Company

Incorporated in 1987, Kilburn Engineering Limited (KEL) is engaged in the designing, manufacturing, and commissioning of customised equipment/systems for diverse applications in industries such as chemical, petrochemical, oil & gas, refineries, power, steel, cement, fertilizer, mining, sewage treatment, food, among others. It also manufactures specially designed packages required for various onshore and offshore applications. It has a manufacturing and testing facility near Thane, Maharashtra. KEL is based in Kolkata and is managed by Mr. Ranjit Pamo Lala. In February 2024, the company acquired M E Energy Private Limited. The company is engaged

in designing, manufacturing, and installing waste heat reutilization systems solutions in India, Turkey, Japan, USA, Spain, France, Bangladesh, Indonesia, and many more countries worldwide. Further, on 28th January 2025, KEL has acquired Monga Strayfield Private Limited which is engaged in radio frequency drying and heating technologies and specializes in sheet metal fabrication.

About the Group

Kilburn Group (KG) includes two companies viz. Kilburn Engineering Limited (KEL) and M E Energy Private Limited (MEEPL). KEL is engaged in manufacturing of drying systems whereas MEEPL specializes in the production of thermal engineering and heat recovery systems, a perfect complement to Kilburn Engineering's existing drying systems. This synergy will help to tap into the existing client bases of both entities along with providing a bundled solution. Further, as the acquisition of MEEPL by KEL was completed on 20th February 2024, MEEPL is now a wholly owned subsidiary of KEL.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the standalone business and financial risk profiles of Kilburn Engineering Limited (KEL) and M E Energy Private Limited (MEEPL) together referred to as the 'Kilburn Group' (KG). The consolidation is on the basis of MEEPL being the wholly owned subsidiary of KEL, corporate guarantee given to the MEEPL on its bank facilities by KEL and operational and financial synergies within the group.

Key Rating Drivers

Strengths

Strong Customer Base

KEL has a long track record of more than three decades in the industry and has built healthy relationships with its customers and suppliers, ranging from 5 to 30 years. The strong relationships with customers, who have a very strong credit profile, ensure regular orders and low counterparty credit risk. Further, in February 2024, KEL acquired 100% of the equity share capital of MEEPL. This acquisition is expected to augment the organizational prowess, as MEEPL specializes in the production of thermal engineering and heat recovery systems, which are expected to complement Kilburn Engineering's existing drying systems. Furthermore, on January 28, 2025, KEL acquired 100% of the equity share capital of Monga Strayfield Private Limited, which is engaged in radio frequency drying and heating technologies and specializes in sheet metal fabrication. This acquisition is expected to further strengthen Kilburn's market position and expand its offerings in key industrial sectors. The synergy of both acquisitions is expected to help tap into the existing client bases of all three entities, while also providing a bundled solution.

Revenue growth and improvement in the profitability

The group's operating income stood at Rs. 329.48 Cr. in FY2024. Further, in H1FY2025, the group reported operating income of Rs. 189.39 Cr. The group's EBITDA margin stood at 23.31%, while the PAT margin stood at 15.34% in FY2024. Further, on a standalone basis, KEL's operating income improved by ~32% to Rs. 293.21 Cr. in FY2024, compared to Rs. 221.53 Cr. in FY2023 and Rs. 122.75 Cr. in FY2022, mainly driven by an increase in contract execution. KEL's standalone EBITDA margin improved to 22.33% in FY2024 from 15.78% in FY2023, and the PAT margin stood at 13.53% in FY2024, compared to 13.60% in FY2023.

Acuite believes that the revenue of the group is expected to improve further due to the healthy order book position.

Moderate financial risk profile

The group's financial risk is moderate, with a healthy net worth, below-unity gearing, and healthy debt protection metrics. The tangible net worth stood at Rs. 175.93 Cr. as of March 31, 2024. The group's gearing is comfortable at 0.47 times as of March 31, 2024. The healthy coverage indicators are reflected by the Interest Coverage Ratio (ICR), which stood at 8.29 times, and the Debt Service Coverage Ratio (DSCR), which stood at 6.59 times as of March 31, 2024. Further, on a standalone basis, KEL's tangible net worth stood at Rs. 243.28 Cr. as of March 31, 2024, compared to Rs. 105.26 Cr. as of March 31, 2023. The company's gearing improved to 0.30 times as of March 31, 2024, compared to 0.61 times as of March 31, 2023. Additionally, on a standalone basis, KEL's coverage indicators improved, as reflected by the Interest Coverage Ratio (ICR), which improved to 7.10 times in FY2024 from 6.08 times in FY2023, and the Debt Service Coverage Ratio (DSCR), which stood at 5.46 times in FY2024 compared to 5.02 times in FY2023.

Acuite believes that, going forward, the financial risk profile of the group will continue to remain healthy over the medium term due to healthy profitability and the absence of debt-funded capex.

Orderbook position

The group has an unexecuted order book position of around Rs. 488.81 Cr. as on date, of which Rs. 446.11 Cr. pertains to KEL. The group's order book position remains moderate, providing revenue visibility for the near to medium term. Further, the order book includes an order that KEL has recently been awarded — an export order

from Jessa for the supply of rotary dryers to be installed at OCP Morocco, the largest producer of rock phosphate. This is the single largest order ever awarded to KEL. The value of the order is around \$15 million (i.e., Rs. 126 Cr.) and is expected to be completed in 12-15 months. Further, to support the improving order book position, KEL has acquired a factory in Ambernath, Mumbai, for Rs. 22 Cr. on January 14, 2025, and is also in the process of expanding the production facilities of MEEPL, which is expected to be completed by March 2025.

Weaknesses

Working capital intensive nature of operations

The working capital-intensive nature of the group's operations is marked by high Gross Current Assets (GCA) of 326 days as of March 31, 2024, primarily due to unbilled revenue of Rs. 132.22 Cr. as of March 31, 2024. The inventory days stood at 45 days, and the debtor's days stood at 87 days in FY2024.

Further, on a standalone basis, KEL's working capital operations remained intensive marked by high Gross Current Assets (GCA) of 308 days as of March 31, 2024, compared to 294 days as of March 31, 2023 on account of unbilled revenue of Rs. 115.72 Cr. as of March 31, 2024. KEL's inventory days stood at 32 days in FY2024, compared to 56 days in FY2023, and the debtor's collection period stood at 77 days in FY2024, compared to 74 days in FY2023.

Acuité believes that the working capital operations of the group will remain intensive, as evidenced by its debtor levels. Due to the time taken to execute the orders, the operating cycle takes between 2 to 6 months, resulting in a large working capital requirement and staggered deliverables.

Rating Sensitivities

Sustainable improvement in revenue while maintaining profitability and key credit metrics.

Elongation of the working capital cycle or major debt-funded capex impacting the liquidity position of the company.

Stabilization of operations and realization of benefits from the recent acquisitions on the group's operational and financial risk profile.

Liquidity Position

Adequate

The group's liquidity is adequate as reflected by generation of healthy net cash accruals of Rs. 54 Cr. in FY2024 against its nominal repayment obligations during the same period. The free cash and bank balances stood minimal at Rs. 1.30 Cr. on March 31, 2024. The current ratio of the group stood at 1.72 times as on March 31, 2024. Further, the group has buffer in the fund-based limits with an average utilisation of ~50% for 6 months ending September 30, 2024.

Outlook:

Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	329.48	0.00
PAT	Rs. Cr.	50.54	0.00
PAT Margin	(%)	15.34	0.00
Total Debt/Tangible Net Worth	Times	0.47	0.00
PBDIT/Interest	Times	8.29	0.00

Key Financials (Standalone)

Standalone figures of KEL.

Particulars	Unit	FY 24 (Actuals)	FY 23 (Actuals)
Operating Income	Rs. Cr.	293.21	221.53
PAT	Rs. Cr.	39.67	30.13
PAT Margin	(%)	13.53	13.6
Total Debt/Tangible Net Worth	Times	0.3	0.61
PBDIT/Interest	Times	7.1	6.08

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Feb 2025	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	12.50	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	18.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	8.35	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	23.46	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	17.69	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	53.70	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Cash Credit	Long Term	3.99	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Cash Credit	Long Term	4.00	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Cash Credit	Long Term	5.00	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Proposed Cash Credit	Long Term	5.00	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Working Capital Demand Loan (WCDL)	Long Term	5.00	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Proposed Cash Credit	Long Term	7.31	ACUITE BBB Positive (Assigned)
22 May 2024	Bank Guarantee (BLR)	Short Term	18.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	8.35	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Guarantee	Short Term	23.46	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	12.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	4.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Cash Credit	Long Term	5.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	5.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	53.70	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	6.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	3.99	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee (BLR)	Short Term	18.00	ACUITE A3 (Assigned)

24 Feb 2023	Letter of Credit	Short Term	8.35	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	33.65	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	19.50	ACUITE A3 (Assigned)
	Term Loan	Long Term	58.70	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	3.99	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	4.30	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Proposed Cash Credit	Long Term	7.51	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.00	Simple	ACUITE A2 Upgraded (from ACUITE A3+)
RBL Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A2 Upgraded (from ACUITE A3+)
The Federal Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A2 Upgraded (from ACUITE A3+)
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE BBB+ Stable Upgraded Positive to Stable (from ACUITE BBB)
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.99	Simple	ACUITE BBB+ Stable Upgraded Positive to Stable (from ACUITE BBB)
Federal Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BBB+ Stable Upgraded Positive to Stable (from ACUITE BBB)
RBL Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB+ Stable Upgraded Positive to Stable (from ACUITE BBB)
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.35	Simple	ACUITE A2 Upgraded (from ACUITE A3+)
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.50	Simple	ACUITE A2 Upgraded (from ACUITE A3+)
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	41.15	Simple	ACUITE A2 Upgraded (from ACUITE A3+)
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.31	Simple	ACUITE BBB+ Stable Upgraded Positive to Stable (from ACUITE BBB)
RBL Bank	Not avl. / Not appl.	Term Loan	23 Feb 2021	Not avl. / Not appl.	30 Sep 2033	53.70	Simple	ACUITE BBB+ Stable Upgraded Positive to Stable (from ACUITE BBB)
Indusind Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB+ Stable Upgraded Positive to Stable (from ACUITE BBB)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No	Company Name
1	Kilburn Engineering Limited
2	M E Energy Private Limited

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About Acuité Ratings & Research

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