



**Press Release**  
**M E Energy Private Limited**  
**February 20, 2025**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB+   Stable   Assigned	-
Bank Loan Ratings	40.00	-	ACUITE A2   Assigned
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has assigned the long-term rating of ‘**ACUITE BBB+**’ (read as **ACUITE triple B plus**) and the short term rating of ‘**ACUITE A2**’ (read as **ACUITE A two**) on the Rs.50.00 Cr. bank facilities of M E Energy Private Limited. The outlook is ‘**Stable**’.

**Rationale for rating assigned**

The rating assigned reflects the 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. Further, the rating assigned derives 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 Kilburn Group’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 group characterized by moderate net worth, below unity gearing and healthy debt protection metrics. Furthermore, Acuite takes note of group's 9MFY2025 financials which reflects improved revenue and stable operating profit margin as compared to 9MFY2024. These strengths are however, partly offset by the working capital-intensive nature of operations, cyclicity in the domestic capex cycle.

**About the Company**

Set up in 1998 by Mr K V Kartha, M E Energy Private Limited is engaged in designing, manufacturing, and installing waste heat reutilization systems solution. The company has facility is in Pune, Maharashtra. The directors of the company are Mr. Kalathil Vijaysanker Kartha, Mr. Amitav Roychoudhury, Mr. Anil Somshekar Karnad and Mr. Ranjit Pamo Lala. The Registered office address is in Pune, India.

**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

Kilburn group (KG) 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 M E Energy 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 9MFY2025, the group reported operating income of Rs. 297.52 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, MEEPL's operating income improved by ~69% to Rs. 75.73 Cr. in FY2024, compared to Rs. 44.70 Cr. in FY2023 and Rs. 42.06 Cr. in FY2022, mainly driven by an increase in contract execution. MEEPL's standalone EBITDA margin improved to 9.57% in FY2024 from 11.50% in FY2023, and the PAT margin stood at 4.53% in FY2024, compared to 6.93% 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 of the group 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, MEEPL's tangible net worth stood at Rs. 10.73 Cr. as of March 31, 2024, compared to Rs. 7.43 Cr. as of March 31, 2023. MEEPL's gearing stood at 0.99 times as of March 31, 2024, compared to 2.01 times as of March 31, 2023. Additionally, on a standalone basis, its coverage indicators stood moderate as reflected by the Interest Coverage Ratio (ICR), which improved to 3.10 times in FY2024 from 2.76 times in FY2023, and the Debt Service Coverage Ratio (DSCR), which stood at 1.22 times in FY2024 compared to 1.68 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. 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 Ambarnath, 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, MEEPL's working capital-intensive nature of operations is marked by high Gross Current Assets (GCA) of 263 days as of March 31, 2024, compared to 232 days as of March 31, 2023 on account of unbilled revenue of Rs. 16.50 Cr. as of March 31, 2024. MEEPL's inventory days stood at 57 days in FY2024, compared to 85 days in FY2023, and the debtor's collection period stood at 83 days in FY2024, compared to 142 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 MEEPL

Particulars	Unit	FY 24 (Actuals)	FY 23 (Actuals)
Operating Income	Rs. Cr.	75.73	44.7
PAT	Rs. Cr.	3.43	3.1
PAT Margin	(%)	4.53	6.93
Total Debt/Tangible Net Worth	Times	0.99	2.01
PBDIT/Interest	Times	3.1	2.76

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

None

## 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History :

None

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A2   Assigned
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   Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB+   Stable   Assigned
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   Assigned
RBL Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A2   Assigned

### \*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

## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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