

Rating Rationale

August 19, 2025 | Mumbai

Kinetic Engineering Limited

Rating Reaffirmed and Withdrawn

Rating Action

| | |
|----------------------------------|---|
| Total Bank Loan Facilities Rated | Rs.25 Crore |
| Long Term Rating | Crisil BB+/Stable (Rating Reaffirmed and Withdrawn) |

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 reaffirmed its rating on the long term bank facilities of Kinetic Engineering Limited (KEL) and has simultaneously **withdrawn** the rating on the receipt of withdrawal request from the company and on receipt of No-objection certificate from the lenders. The withdrawal is in line with the policy of Crisil Ratings on the withdrawal of its ratings.

The rating reflects the established market position of KEL in the auto component manufacturing segment with healthy relationships with the customers and its comfortable financial risk profile. The strengths are partially offset by the susceptibility to volatility in the raw material prices and its working capital-intensive operations.

Analytical Approach

For arriving at its ratings, Crisil Ratings has consolidated the business and financial risk profiles of KEL with its subsidiary Kinetic Watts and Volts Limited, Crisil considers that the subsidiary is strategically important to, and have a significant degree of operational integration with KEL.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- Established market position in Auto Component manufacturing industry backed by healthy client relationships:** KEL has been in the Auto Component industry for last two decades and has established a good position in the market. This is reflected in the reputed clientele as well such as Mahindra & Mahindra, Ashok Leyland, Renault India, American Axle, Carraro India, amongst the others. The company supplies its product directly to the OEMs and has been receiving repeated order flow from the same over the years which has led to a healthy ramp up in the revenues over the years as reflected in the revenues of Rs 142 crores in fiscal 2025 from Rs 80 crores in fiscal 2021. The revenues remained flat in fiscal 2025 as compared to fiscal 2024 on account of muted demand for commercial vehicles, however, with addition of new products and steady order flow from the customers, revenues are expected to improve over medium term.

Furthermore, leveraging on the promoter experience, the group has also launched two-wheeler EV scooter in its majority owned subsidiary Kinetic Watts and Volts Limited. However, the same is expected to start contributing to the group from second half of this fiscal.

- Healthy financial risk profile:** Financial risk profile of KEL is marked with healthy net worth of ~ Rs 136 crores as on March 31, 2025 led by the equity infusion made by the promoters in the last two fiscal years. The equity infusion has been made towards the group's expansion in the operations (both in auto component segment and upcoming Electric two-wheeler segment). This coupled with moderate debt obligations has led to a comfortable capital structure as reflected in the gearing and total outside liability to adjusted net worth ratio of 0.4 times and 0.8 times respectively as on March 31, 2025 (0.8 times and 1.7 times a year ago). The debt protection metrics also remains above average as reflected in the interest cover and net cash accruals to adjusted debt ratio of 3.6 times and 0.21 times for fiscal 2025 (3.0 times and 0.31 times for fiscal 2024) largely on account of moderate operating profitability and interest expenditure. In the absence of large debt funded capex and steady improvement in the scale of operations leading to accretion to the reserves, overall financial risk profile is expected to remain at comfortable levels over the medium term.

Weaknesses:

- **Susceptibility to volatility in raw material costs and other overheads:** Because of volatility in the price of major raw material- steel and aluminum, the operating margin remains susceptible to commodity fluctuations. The ability of players to pass on input cost increases or retain any benefit of lower input costs is constrained due to intense competition. The company is able to pass on the same but with a lag of 3-4 months, which affects the profitability of the company during the short term. In addition, the company has high overhead expenses for existing as well as upcoming capex which affects the group profitability which is reflected in operating margins moderating to around 3.5% in fiscal 2025 from 5.6% in fiscal 2024. While additional overhead expenses with the commencement of upcoming capex will further pressure the group profitability in fiscal 2026, steady ramp up of the revenues from the new EV segment leading to better operating leverage remains crucial and a key monitorable over the medium term.
- **Working capital intensive operations:** Operations of the company remain working capital intensive as reflected in the gross current assets of around 247 days as on March 31, 2025. This mainly arises from the debtors of around 80 to 100 days mainly as the company offers a moderate credit period of around 60 to 100 days to its customers and the same is realized within the stipulated timelines. Furthermore, as the company has huge product basket it has to maintain inventory of around 120 to 140 days. Working capital cycle further remains supported by the credit period received from the suppliers of around 180 to 200 days (company is able to stretch the same given the relationship with its suppliers). With the operations commencing in the subsidiary wherein the working capital cycle is expected to be better compared to the auto component segment, an improvement in the overall working capital cycle will be a key rating sensitivity factor.

Liquidity: Stretched

Bank limit utilization is moderate at around 53 percent for the past twelve months ended March -2025 mainly driven by the enhancement in the bank limits. Cash accruals are expected to remain Rs 10 crores against nil repayment obligations 2026 respectively. Cash and cash equivalents stood at around Rs 58 crores as on March 2025 which remains entirely free. The promoters are likely to extend support in the form of equity and unsecured loans to meet any adverse conditions in the business.

Outlook: Stable

Crisil Ratings believe KEL will continue to benefit from the established market position in the Auto Component industry and its established relationships with clients and its Healthy financial risk profile.

Rating sensitivity factors

Upward Factors:

- Steady growth in revenues in the auto comp segment and healthy ramp up of sales from the subsidiary (EV scooters) along with improvement in operating profitability to above 5% on consolidated levels leading to higher cash accruals
- Improvement in the working capital cycle on consolidated levels coupled with sustenance of the financial risk profile

Downward factors:

- Significantly lower operating profitability or any delays in the revenues from the EV scooters sales leading to cash accruals lower than Rs 5 crores on sustained bases.
- Any significant stretch in the working capital cycle or any higher-than-expected debt funded capex leading to Impact on the overall financial risk profile of the company.

About the Group

About the Company KEL was incorporated in 1970 by Mr. H.K. Firodia , its currently managed by third generation i.e Mr. Ajinkya Arun Firoda (Vice Chairman and Managing Director).

KEL is engaged in manufacturing of auto component and ancillary mainly shaft, gearbox assembly and transmission gears. KEL manufacturing facility is located in Ahilyanagar (formerly known as Ahmednagar)The company is listed in BSE Limited.

A majority owned subsidiary of KEL, Kinetic Watts & Volts Limited was formed in September 2022. This subsidiary will be manufacturing 2-wheeler EV scooters, albeit operations are yet to start.

Key Financial Indicators: Consolidated

| As on / for the period ended March 31 | | 3M FY 2026 | 2025 | 2024 |
|--|-----------------|-------------------|-------------|-------------|
| Operating income | Rs crore | 35.3 | 142 | 143 |
| Reported profit after tax | Rs crore | 0.5 | 6.4 | 5.1 |
| PAT margins | % | 1.4 | 4.5 | 3.5 |
| Adjusted Debt/Adjusted Net worth | Times | NA | 0.4 | 0.8 |
| Interest coverage | Times | NA | 3.6 | 3.0 |

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.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

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 | 20.00 | NA | Crisil BB+/Stable (Rating Reaffirmed and Withdrawn) |
| NA | Proposed Fund-Based Bank Limits | NA | NA | NA | 5.00 | NA | Crisil BB+/Stable (Rating Reaffirmed and Withdrawn) |

Annexure – List of entities consolidated

| Names of Entities Consolidated | Extent of Consolidation | Rationale for Consolidation |
|---------------------------------|-------------------------|-----------------------------|
| Kinetic Engineering Limited | Full | Parent |
| Kinetic Watts and Volts Limited | Full | Majority owned subsidiary |

Annexure - Rating History for last 3 Years

| Instrument | Current | | | 2025 (History) | | 2024 | | 2023 | | 2022 | | Start of 2022 |
|-----------------------|---------|--------------------|---|----------------|--------|----------|-------------------|----------|-------------------|------|--------|---------------|
| | Type | Outstanding Amount | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating | Rating |
| Fund Based Facilities | LT | 25.0 | Crisil BB+/Stable (Rating Reaffirmed and Withdrawn) | | -- | 28-05-24 | Crisil BB+/Stable | 15-03-23 | Crisil BB+/Stable | | -- | -- |

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

| Facility | Amount (Rs.Crore) | Name of Lender | Rating |
|---------------------------------|-------------------|----------------|---|
| Cash Credit | 20 | Saraswat Bank | Crisil BB+/Stable (Rating Reaffirmed and Withdrawn) |
| Proposed Fund-Based Bank Limits | 5 | Not Applicable | Crisil BB+/Stable (Rating Reaffirmed and Withdrawn) |

Criteria Details

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|---|
| 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) |
| Criteria for consolidation |

| Media Relations | Analytical Contacts | Customer Service Helpdesk |
|---|--|---|
| <p>Ramkumar Uppara Media Relations Crisil Limited M: +91 98201 77907 B: +91 22 6137 3000 ramkumar.uppara@crisil.com</p> <p>Kartik Behl Media Relations Crisil Limited</p> | <p>Himank Sharma Director Crisil Ratings Limited B:+91 124 672 2000 himank.sharma@crisil.com</p> <p>Shalaka Singh Associate Director Crisil Ratings Limited B:+91 22 6137 3000</p> | <p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 3850</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p> |

M: +91 90043 33899
B: +91 22 6137 3000
kartik.behl@crsil.com

Divya Pillai
Media Relations
Crisil Limited
M: +91 86573 53090
B: +91 22 6137 3000
divya.pillai1@ext-crsil.com

shalaka.singh@crsil.com

RAJ GUDHKA
Senior Rating Analyst
Crisil Ratings Limited
B: +91 22 6137 3000
raj.gudhka@crsil.com

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