

February 21, 2025

Keltron Component Complex Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Cash credit limits	10.00	10.00	[ICRA]B+ (Stable); reaffirmed
Long-term – Unallocated	0.25	0.00	-
Short-term – Non-fund based limits	12.00	12.00	[ICRA]A4; reaffirmed
Short-term – Unallocated	0.75	0.00	-
Total	23.00	22.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings factors in the increase in the established presence of Keltron Component Complex Ltd. (KCCL) in the manufacturing of capacitors and steady increase in revenues to Rs. 104.2 crore in FY2024 from Rs. 96.1 crore in FY2023 owing to improvement in sales of electrolytic and metallised polypropylene (MPP) capacitors, which is expected to sustain in the near term. The ratings consider the continued financial support received by KCCL from the ultimate parent entity, the Government of Kerala (GoK).

The ratings, however, are constrained by the company's weak financial risk profile with modest debt coverage indicators, as reflected by an interest coverage of 1.8 times in FY2024 and working capital-intensive nature of business owing to high inventory and debtor levels. The ratings are constrained by the intense competition from Chinese imports, which has impacted the operating margins over the past two years. ICRA notes that the company has an outstanding investment and working capital of Rs.19.02 crore from GoK and had submitted a proposal to convert the loans availed from GoK into equity and is pending with the GoK. At present, KCCL is accruing interest on these GoK loans and any adverse development on this would be a key rating monitorable.

The Stable outlook on the [ICRA]B+ rating reflects ICRA's opinion that the company would benefit from its established position in manufacturing of MPP capacitors and support from the GoK.

Key rating drivers and their description

Credit strengths

Steady increase in revenues – KCCL's operating income increased to Rs. 104.23 crore in FY2024 from Rs. 96.15 crore in FY2023 owing to an increase in sales of electrolytic and MPP capacitors. In the current year till January 31, 2025, the company achieved revenues of Rs. 70.68 crore and the revenues are expected to cross FY2024 levels with majority of the sales in the last quarter of every fiscal year.

Financial support from GoK – The company received financial support from its ultimate parent entity, GoK, which holds a 21.33% stake. KCCL received loans of Rs. 19.02 crore from GoK for funding the working capital and investment requirements in the past. Further, interest on these loans is accrued but is not paid as the company had submitted a proposal to the GoK for conversion of these loans into equity. The conversion will be a key monitorable from the credit rating perspective.

Credit challenges

Weak financial risk profile – The company's financial risk profile remained weak with modest net worth levels due to past losses. However, with improved operational performance and fresh equity infusion by GoK over the years, the net worth improved to Rs. 21.5 crore as on March 31, 2024 from Rs. 6.4 crore as on March 31, 2022. Further, the debt protection metrics remained weak with an interest coverage of 1.8 times and Debt/OPBDIT of 2.9 times in FY2024 owing to high interest expenses. Adjusted for the accrued interest, the interest coverage remained healthy at above 14.3 times in FY2024.

High working capital intensity – The company's working capital intensity remained high with NWC/OI of 42% in FY2024 owing to high debtor and inventory levels. KCCL holds finished goods inventory of about two months mainly because of its wide product profile. It extends a credit period of 45-60 days to traders and 90 days to OEMs, which gets delayed and results in high debtor days.

Intense competition from Chinese players restricts pricing flexibility – The capacitor industry is highly fragmented with many small players and significant Chinese imports. Intense competition affects the pricing flexibility of KCCL and has impacted the profit margins over the years.

Liquidity position: Adequate

The company's liquidity position is adequate, as reflected by low utilisation of working capital limits (average utilisation of 20%) in the past 14 months ending in January 2025. Low repayment obligations and moderate capex plans are expected to support its liquidity position. Further, the liquidity position is supported by free cash balances of Rs. 12 crore as on February 12, 2025.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company sustains its revenues and earnings leading to an improvement in debt coverage metrics. The ratings could be upgraded upon conversion of interest-bearing loans from GoK into equity, improving its net worth levels.

Negative factors – The ratings could be downgraded in case of a sharp decline in revenues or operating margins, resulting in subdued cash accruals. Delays in payments from customers, adversely impacting the company's liquidity position, could trigger a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	None
Consolidation/Standalone	Standalone

About the company

Keltron Component Complex Limited (KCCL) is a subsidiary of Kerala State Electronics Development Corporation Limited (KSEDC), a Government of Kerala undertaking. KSEDC entered the electronic components space by setting up an aluminium electrolytic capacitor plant in technical collaboration with Spargue Electromag Belgium, in 1976 under KCCL in Kannur, Kerala. Aluminium electrolytic capacitors and metallised plastic film capacitors are the major product segments of KCCL, which contribute to a major portion of its revenues.

Key financial indicators

	FY2023	FY2024*
Operating income	96.1	104.2
PAT	4.6	3.5
OPBDIT/OI	11.0%	9.5%
PAT/OI	4.8%	3.4%
Total outside liabilities/Tangible net worth (times)	4.9	4.1
Total debt/OPBDIT (times)	2.2	2.5
Interest coverage (times)	2.0	1.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation, *-Provisional numbers

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs. crore)	Feb 21, 2025	Date	Rating	Date	Rating	Date	Rating
Short-term-others - Non-fund based	Short Term	12.00	[ICRA]A4	20-NOV-2023	[ICRA]A4	16-AUG-2022	[ICRA]A4	20-SEP-2021	[ICRA]A4
Short-term-unallocated	Short Term	0.00	-	20-NOV-2023	[ICRA]A4	-	-	-	-
Long-term-unallocated	Long Term	0.00	-	20-NOV-2023	[ICRA]B+ (Stable)	-	-	-	-
Long-term-cash credit-fund based	Long Term	10.00	[ICRA]B+ (Stable)	20-NOV-2023	[ICRA]B+ (Stable)	16-AUG-2022	[ICRA]B+ (Stable)	20-SEP-2021	[ICRA]B+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Cash credit limits	Simple
Short-term non-fund based limits	Very Simple

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	Cash credit limits	-	-	-	10.00	[ICRA]B+ (Stable)
NA	Non-fund based limits	-	-	-	12.00	[ICRA]A4

Source: Company

Annexure II: List of entities considered for consolidated analysis - Not applicable

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