April 02, 2025

U K B Electronics Private Limited: Ratings reaffirmed; outlook revised to Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based limits – Term loans	66.50	62.00	[ICRA]BBB+ (Positive); reaffirmed; outlook revised to Positive from Stable
Long-term – Fund-based limits – Cash credit	141.00	-	-
Short-term – Non-fund based limits – LC/BG	125.00	-	-
Long-term – Fund-based limits – Cash credit*	(42.50)	-	-
Short-term – Non-fund based limits – LC/BG^	(76.00)	-	-
Long-term/short-term – Working capital facilities	0.00	270.50	[ICRA]BBB+ (Positive)/[ICRA]A2; reaffirmed; outlook revised to Positive from Stable
Total	**332.50**	**332.50**	

**Instrument details are provided in Annexure I*

Rationale

The revision in the outlook of U K B Electronics Private Limited's (UEPL) long-term rating factors in ICRA's expectations of improvement in UEPL's financial risk profile, reflected in the healthy growth in revenues and earnings, aided by steady ramp-up of capacities/capacity utilisation and increasing revenue contribution from new business segments and exports. UEPL reported a healthy ~10% Year-on-Year (YoY) growth to Rs. 581.6 crore in FY2024 and sustained the momentum with revenue of ~Rs. 700 crore in 11M FY2025, on the back of steady demand levels in the base business, along with healthy scale-up from its relatively new facility in Rajasthan for manufacturing of specialty electron beam cables (e-beam cables). Leveraging on the same, UEPL has diversified into new business segments of electronic components/cables for strategic /industrial applications and electric vehicles (EV) in recent years. The scaling up of revenues from these new segments is expected to provide diversification benefits and support future growth and earnings, partially supported by relatively high barriers to entry, especially in the strategic/industrial segment. The higher earnings, coupled with moderate increase in debt levels, are expected to support the improvement in debt protection metrics.

Additionally, the ratings continue to factor in UEPL's established operational track record and its promoter's experience of more than two decades in manufacturing of electronic components, primarily for the white goods industry, its backward integrated and geographically diverse manufacturing set-up with sizeable capacities and reputed customer base.

The ratings are, however, constrained by high working capital intensity of the business and vulnerability of UEPL's profit margins to the fluctuations in prices of key raw materials and foreign exchange rates, which is exacerbated by the nature of intense competition in the industry. However, pass-through mechanisms and a natural hedge through presence in exports, largely mitigate the risk. UEPL also remains exposed to high customer concentration risk, as its top 10 customers have accounted for 60-70% of its revenues in recent years. However, the same is likely to improve with diversification into new business segments and increasing share of exports, going forward.

Key rating drivers and their description

Credit strengths

UEPL's established market position and extensive experience of its promoters in the electrical and electronics industry – Incorporated in 1996, UEPL has established itself as one of the leading manufacturers of electronic components, catering primarily to the consumer durables and white goods industry. This has been supported by its diverse product profile, established operational track record and sizeable manufacturing set-up across seven locations. Moreover, the company has been promoted by the Tayal family, who have extensive experience of more than two decades in the electrical and electronics manufacturing business.

Backward integrated and geographically diverse manufacturing set-up with sizeable capacities support business growth and profitability – Over the years, UEPL has set up 12 manufacturing facilities across seven states, including Noida (Uttar Pradesh), Pune (Maharashtra), Ghiloth (Rajasthan), Goa, Andhra Pradesh and Chennai (Tamil Nadu), to cater to its customers across the country. The sizeable manufacturing capacities and complete backward integration in operations have supported the company's revenue growth and profitability. While UEPL's operating profit margin (OPM) moderated to 10.4% in FY2024 owing to higher operating costs for its Rajasthan unit, it improved to 11.6% in 9M FY2025 (as per provisional financials), driven by economies of scale, change in product mix and some recovery in exports.

Customer base includes reputed domestic and global companies of the white goods industry – UEPL has a wide customer base of reputed clients, with whom it has developed established relationships and healthy share of business. These include several domestic and global companies from the white goods industry, such as Panasonic, Samsung, LG, Voltas, Haier, Sony Electronics, Stanley Black and Decker Inc. and IFB Industries Limited. Moreover, the company recently diversified into the strategic electronics segment, wherein it supplied specialty e-beam cables to customers such as Indian Navy, Ministry of Defense, and Ministry of Railways (including Vande Bharat), among others along with EV cables and chargers for Tata Motors Ltd and Mahindra & Mahindra Ltd. Healthy manufacturing set-up along with capacity expansion plans and new product launches are expected to lead to further expansion of its customer profile over the near to medium term.

Comfortable financial risk profile – The company has a comfortable financial risk profile marked by healthy revenue growth, steady accrual generation and a comfortable capital structure and coverage position. UEPL reported a healthy revenue growth of ~10% YoY in FY2024 to Rs. 581.7 crore, driven by a healthy order offtake, new customer additions and enhanced capacities. The company's wide product base and backward integration of operations led to a healthy OPM over the years, contributing to a comfortable capital structure. While its debt protection metrics moderated on the back of higher operating costs in FY2024, reflected in total debt/ OPBDITA of 3.2 times and interest coverage of 2.9 times (3.3 times and 3.4 times in FY2023, respectively), these metrics have improved in FY2025 and expected to strengthen further over the medium term, with healthy scale-up at the Rajasthan unit and higher accrual generation.

Credit challenges

Profit margins vulnerable to volatility in raw material prices; however, pass-through mechanism largely mitigates the risk – The company's OPM are susceptible to fluctuations in the prices of key raw materials, copper and polyvinyl chloride (PVC), which are sourced from domestic and international vendors. Also, the margins remain susceptible to volatility in foreign exchange rates, given that part of the raw material requirement is met through imports. However, the same is mitigated to an extent by the natural hedge enjoyed by UEPL. Additionally, UEPL has demonstrated its ability to largely pass on the increase in raw material costs, majorly mitigating the risk. UEPL also operates within an intensely competitive market; however, it benefits from its established market position in the industry, its integrated manufacturing set-up and established relationships with its key customers.

High customer concentration risk – The company is exposed to high customer concentration risk, as its top 10 customers have accounted for 60-70% of its revenues in the past three fiscals. This is accentuated by UEPL's sales being largely driven by the consumer durables/white goods industry due to its established presence in the business since its inception. However, the company's recent efforts in diversifying its operations into new business segment and new product rollouts have led to addition of new customers, which provides comfort.

Working capital-intensive nature of operations – Given the integrated manufacturing set-up, a wide variety of products manufactured and dependence on imports for partial raw material sourcing, the company is required to maintain high inventory levels to support its manufacturing activity. This, coupled with a receivable cycle of 80-85 days, has led to a high working capital intensity of the business, as marked by NWC/OI[1] of ~30% in FY2024, translating into relatively higher utilisation of the working capital limits availed from the bank. However, the company has regularly enhanced its bank lines to partly fund its incremental working capital requirements, given the strong revenue growth reported in recent years.

Liquidity position: Adequate

UEPL's liquidity is **adequate**, supported by steady internal accrual generation, cushion of ~Rs. 40 crore in the form of undrawn bank lines and cash balances of ~Rs. 10 crore as on December 31, 2024. The company plans to incur annual capital expenditure (capex) of Rs. 40-50 crore in FY2026-27, towards setting up incremental capacities in its Rajasthan and Pune units. The same is expected to be funded through a mix of debt and internal accruals. UEPL also has debt repayment obligations of Rs. 16 crore in FY2026 and Rs. 26.7 crore in FY2027. However, UEPL's cash flow generation is expected to be more than sufficient to meet its debt repayment obligations over the near to medium term.

Rating sensitivities

Positive factors – ICRA could upgrade UEPL's ratings, if the company reports healthy revenue growth and sustenance of margins, thus strengthening its debt protection metrics and liquidity profile on a sustained basis. Specific credit metrics that could lead to an upgrade of UEPL's ratings include total debt/OPBDITA of less than 2.5 times, on a sustained basis.

Negative factors – Pressure on UEPL's ratings could arise, if considerable decline in internal accrual generation, significant debt-funded capex or deterioration in the working capital cycle, results in the weakening of the company's credit metrics and liquidity position on a sustained basis. Specific credit metrics that could lead to a downgrade of UEPL's ratings include interest coverage less than 4.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Established in 1996, UEPL is a leading manufacturer and supplier of electrical and electronic products like wires, cables, wiring harness, power cords, PCB, connectors, remotes, and e-beam cables, among others, having diverse applications in key segments that are consumer electronics, automotive, strategic electronics, industrial and exports. The company was set up by Mr. Manoj Tayal in 1996 as a sole proprietorship and over the years, the company has expanded its presence across the country with manufacturing plants located at Noida (Uttar Pradesh), Pune (Maharashtra), Ghiloth (Rajasthan), Goa, Andhra Pradesh and Chennai (Tamil Nadu).

[1] *Net working capital/ Operating income*

Key financial indicators (audited)

UEPL – Standalone	FY2023	FY2024
Operating income	530.0	581.7
PAT	19.2	26.7
OPBDIT/OI	11.4%	10.4%
PAT/OI	3.6%	4.6%
Total outside liabilities/Tangible net worth (times)	1.7	1.6
Total debt/OPBDIT (times)	3.3	3.2
Interest coverage (times)	3.4	2.9

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

Status of non-cooperation with previous CRA:

CRA	Date of PR	Rating
CRISIL	January 30, 2024	CRISIL BB+/Stable (ISSUER NOT COOPERATING**; Rating Withdrawn)

Any other information: None

Rating history for past three years ensure dates / figures and ratings are correct

	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	April 2, 2025	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long-term	62.00	[ICRA]BBB+(Positive)	14-May-2024	[ICRA]BBB+ (Stable)	-	-	31-Jan-2023	[ICRA]BBB+ (Stable)
Cash Credit	Long-term	-	-	14-May-2024	[ICRA]BBB+ (Stable)	-	-	31-Jan-2023	[ICRA]BBB+ (Stable)
LC/BG	Short-term	-	-	14-May-2024	[ICRA]A2	-	-	31-Jan-2023	[ICRA]A2
Cash Credit*	Long-term	-	-	14-May-2024	[ICRA]BBB+ (Stable)	-	-	31-Jan-2023	[ICRA]BBB+ (Stable)
LC/BG^	Short-term	-	-	14-May-2024	[ICRA]A2	-	-	31-Jan-2023	[ICRA]A2
Unallocated Limits	Long-term/ Short-term	-	-	14-May-2024	-	-	-	31-Jan-2023 05-Jan-2023	[ICRA]BBB+ (Stable)/[ICRA]A2
Working capital facilities	Long-term/ Short-term	270.50	[ICRA]BBB+(Positive)/ [ICRA]A2	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based – Term Loan	Simple
Long Term/ Short Term – Working capital facilities	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
-	**Term Loans**	FY2022	7.0%-8.0%	FY2028	62.00	[ICRA]BBB+ (Positive)
-	**Working capital facilities**	NA	NA	NA	270.50	[ICRA]BBB+ (Positive) / [ICRA]A2

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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