June 26, 2025

KEI Industries Limited: Long-term ratings upgraded to [ICRA]AA+ (Stable) and outlook revised to Stable; Short-term ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund Based –Term Loan	600.00	-	-
Long-term – Fund Based – Working Capital Facilities	600.00	-	-
Short-term – Non-Fund Based – Working Capital Facilities	2,610.00	-	-
Long Term/ Short Term -Fund-based/Non-fund based - Working Capital Facilities	-	3210.00	[ICRA]AA+(Stable); upgraded from [ICRA]AA (Positive) and outlook revised to Stable from Positive / [ICRA]A1+; Reaffirmed
Long Term/ Short Term - Unallocated Limits	-	600.00	[ICRA]AA+(Stable); upgraded from [ICRA]AA (Positive) and outlook revised to Stable from Positive / [ICRA]A1+; Reaffirmed
Commercial Papers	40.00	40.00	[ICRA]A1+; reaffirmed
Total	**3,850.00**	**3,850.00**	

Instrument details are provided in Annexure I

Rationale

The upgrade in the ratings factors in sustained improvement in the company's credit profile over the past few years, driven by increasing scale and stable profitability, and the growth in operating income is expected to continue going forward. The company raised Rs. ~2,000 crore via a QIP (qualified institutional placement), the funds of which will be largely used to set up a new greenfield facility at Sanand in Gujarat, which will help sustain company's revenue growth trajectory of over 15% CAGR over the medium term. Proximity of the new plant to the port, with more capable and technologically advanced machinery, will enable expansion of exports contribution as well.

ICRA notes that the company's products are witnessing robust demand from various end-user industries that are benefitting from government infrastructure development activities, including urban and rural electrification, solar power projects, tunneling and ventilation projects on highways as well as railway and metro rail projects. Additionally, private capex is currently at healthy levels across sectors such as renewable energy, data centers, steel, cement and real estate, including housing demand, under the GoI's initiative of 'Housing for All'. Driven by favourable demand prospects and likely capacity expansion planned over the medium term, ICRA expects the company to report revenue growth of ~15-20% YoY per annum over the near to medium term. Further, the ratings continue to favourably consider the company's presence spanning over five decades, its well-entrenched market position in the cables and wires industry, its wide customer base and geographical presence, its strong brand recognition besides its established relationships with a reputed clientele.

KEI has well diversified revenue profile spread across ~2,000 institutional customers and retail sales via a distribution network of around 2,082 dealers (as on March 31, 2025) pan India. The operating profit margin (OPM) is also expected to be maintained at around ~10-10.5%, translating into healthy cash generation.

KEI has lined up a significant capex of ~Rs. ~1,600-1,800 crore over FY2026-FY2027, to be funded entirely by internal accruals and available cash of Rs. 1,915 crore (including unutilized QIP proceeds of Rs. ~1,385 crore) as on Mar-2025, to tap the growing domestic market size and increasing export opportunities. KEI's total debt (including channel finance with recourse, acceptances and lease liabilities) declined to Rs. 463 crore as on March 31, 2025 (PY: Rs. 672 crore) largely due to lower acceptances, and KEI remained net debt free (net cash of Rs 1,699 crore as on Mar 31, 2025), with no term loans outstanding. Lower debt levels along with strong net-worth kept gearing at comfortable position of 0.08 times as on March 31, 2025 (0.21 times as on March 31, 2024). Interest coverage also remained stable at 17.8 times in FY2025.

However, the ratings remain constrained by KEI's high capex intensity for the near term, susceptibility of profit margins to the adverse movements in raw material prices and foreign currency fluctuation and intense competition in the wires and cable industry, which limits its pricing power to an extent. However, despite the commodity headwinds witnessed in the past, KEI's margins have remained protected on account of a partial natural hedge as the company maintains an inventory for 2-2.5 months and passes on majority of the raw material price hikes to customers. Also, KEI's working capital intensity remained elevated, although the same has been improving steadily.

Key rating drivers and their description

Credit strengths

Established relations with customers and increasing penetration with focus on retail segment – With over five decades of operations, the company has established strong relationships with reputed customers across sectors, such as various private and public distribution and transmission utilities, renewable power producers, large corporate groups, various EPC contractors, etc. While KEI's management forayed into the EPC segment as a forward integration initiative in past, it is now limiting its LT/HT EPC business to ~3-4% of revenues in light of elongated working capital cycle. However, EHV EPC segment will continue to remain a focused segment as cables supply component of the order value is significantly higher in EHV EPC vis-à-vis LT/HT EPC. Further, the management focus is towards increasing its market share in the better-margin and low-working capital-intensive retail segment, as well as exports, while growing its institutional business in line with the pace of industry growth.

Diversified product mix – Over the years, KEI has developed capabilities to manufacture a wide range of cables (low tension, high tension and extra high voltage) along with house wires, stainless steel wires, instrumentation and control cables. Cables contributed to ~64% of the total sales in FY2025, followed by ~30% from house wires, ~4% from the EPC segment (excluding cable) and the balance 2% from stainless steel wires. The growth prospects remain healthy in each of these segments, while the company has taken a strategic decision to scale down the EPC business.

Extensive distribution network – KEI has been expanding its distribution network by adding dealers to capture retail sales, which contributed ~52% to the total sales in FY2025 (PY: ~46%). As on March 31, 2025, the total dealer base stood at around 2,082 (PY: 1,990 dealers). Moreover, the company is currently focusing on further increasing its retail presence, as dealer sales provide the twin benefits of better margins and relatively low working capital cycle. In line with the same, KEI plans to further increase its employee and dealer base, going forward. Its retail network is spread across India with 38% of the revenues contributed by north, followed by 28% from west, 18% from south and the balance 16% from east, in FY2025.

Apart from dealer sales, ~35% of the total sales were through domestic institutional clients (including EHV segment), while exports comprised ~13% of the total sales in FY2025. Within institutional sales, the EPC segment (excluding cable sale) contributed ~4% of the total sales in FY2025, providing a diversification to the sales channels. Going forward, the contribution from retail sales is expected to remain at ~50-55% over FY2026-FY2028, while EPC's contribution in the revenue mix is likely to be stable, largely driven by EHV EPC revenues.

Improving scale with healthy demand prospects – KEI's operating income (OI) grew around 20% in FY2025 to Rs. 9,736 crore on account of increased demand for wires and cables in various end-user segments. KEI has been focusing on improving both its retail and institutional sales, in line with which the company has increased its workforce and distribution network in addition to capacity enhancement. The company is witnessing robust demand for its products from various end-user industries that are benefitting from government infrastructure development activities, including urban and rural electrification, refinery expansion and upgradation, solar power projects, tunneling and ventilation projects on highways, as well as railway and metro rail projects.

Additionally, private capex is currently at healthy levels across sectors such as renewable energy, steel, cement and real estate, including housing demand, under the GoI's initiative of Housing for All. ICRA expects the company to report revenue growth of ~15-20% YoY per annum over FY2026-FY2028. The revenue growth from FY2026 onwards will be primarily led by a likely increase in capacities post the greenfield expansion planned at Sanand (Gujarat) which is expected to be partly commissioned by the end of H1FY2026 in addition to a healthy market size as well as market share improvement.

Healthy leverage and coverage metrics; expected to remain comfortable over the medium term – KEI's total debt (including channel finance with recourse, acceptances and lease liabilities) declined from Rs. 672 crore as on March 31, 2024 to Rs. 463 crore as on March 31, 2025, and KEI remained net debt free (net cash of Rs 1699 crore as on Mar-2025 vis-à-vis Rs. 28 crore as on Mar-2024), with no term loans outstanding. Company had total cash and fixed deposits of Rs. Rs. 1,915 crore as on March 31, 2025 (including Rs. 1,385 crore of unutilised QIP proceeds earmarked largely for Sanand capex).

KEI's finance cost increased in FY2025 to Rs. 56 crore from Rs. 44 crore in FY2024 largely due to higher customer/supplier bill discounting and charges pertaining to NFB (LC and BG) limits utilization in line with business growth. Lower debt levels along with strong net-worth kept gearing at comfortable position of 0.08 times as on March 31, 2025 (PY: 0.21 times). Higher interest cost was partially offset with higher OPBIDTA levels leading to healthy coverage indicators as well. Total debt/OPBIDA stood at 0.47 times in FY2025 (PY: 0.79 times), interest coverage at 17.8 times (PY: 19.5 times).

ICRA expects the leverage and coverage indicators to remain heathy over the medium term in absence of debt funded capex, and healthy internal accruals.

Credit challenges

Operating margins remain range-bound – The company's OPM remained range-bound within 9-11% over the last decade on account of intense competition in the cables industry and focus on healthy turnover growth. In FY2025, while KEI's OPM remained stable at 10.2% (~10.2%-10.5% during FY2022-FY2024), the margins remained protected as majority of the raw material price hikes were passed on to customers. The growing proportion of retail sales and increasing scale benefits also protected the margins, which are expected to pick up slightly in FY2025 with lower expected volatility in input prices. The company naturally hedges the input price risk by virtue of holding an inventory of ~2.5 months for the institutional segment against ~3 months of pending orders which supports its margins. Prices for retails sales through dealer network are also revised every 15 days. Moreover, KEI's net margins remained stable at 7.2% in FY2025 (7.2% in FY2024 and 6.9% in FY2023). Further, with KEI's larger focus on the high-margin retail segment, the overall operating profit margin is likely to sustain at ~10.0-11.0%.

High competitive intensity – The cable industry is inherently competitive with the presence of multiple large established players such as Havells India Limited, Polycab India Limited, Finolex Cables Limited, V Guard Industries Limited, RR Kabel Limited, etc., in addition to some competition from the unorganised sector. This limits KEI's pricing power, to an extent, especially in the retail segment, which is expected to drive its revenue growth over the medium term.

Large corporate groups like Adani and Birla have announced entry into C&W sector, which is expected to heighten competitive intensity in the longer run, but we expect large incumbent players to continue to maintain their leadership position, as this business has a long gestation period for setting up plant, establishing distribution network and get customer/product approvals. This remains a key monitorable.

Exposure to fluctuations in foreign currency exchange rates – The company has net foreign currency receivables as its imports of metal have been lower than its exports for the past four fiscals over FY2022-FY2025. KEI generally does not hedge its exposure, and hence its profitability remains vulnerable to the sharp movements in foreign currency rates. Having said that, over the past four fiscals, there have been net forex gains due to net receivables exposure to USD.

Liquidity position: Strong

The company's liquidity profile is adequate with the presence of cash balance of Rs. 1,915 crore as on Mar 31, 2025 (Rs. 1385 crore earmarked largely towards Sanand capex) in addition to healthy operational cash flows for funding proposed capex. Further, it has average cushion in drawing power of over Rs. ~1,500 crore over FY2025 (though sanctioned cash credit limits are Rs. 600 crore which remained largely unutilised). ICRA also notes KEI's proposed capex of ~Rs. 1,600-1,800 crore towards greenfield and brownfield capacity expansion plans largely for LT, HT and EHV cables, over FY2026-FY2027 to be funded largely from internal accruals and remaining QIP proceeds entirely.

Rating sensitivities

Positive factors – ICRA might upgrade the ratings if there is sustained improvement in the scale of operations along with sustenance of healthy operating margins coupled with sustenance of the healthy liquidity profile.

Negative factors – Moderation in operating margins, or elongation in working capital cycle leading to pressure on return and/or credit metrics can lead to rating revision.

ESG Risk

KEI is exposed to the risks arising from the tightening regulations on the environment and the safety front. These have necessitated the company to increase its investments towards meeting the evolving and the tighter regulatory standards. As per the disclosures made by KEI, all major raw materials are recyclable except XLPE compound. The company recycles PVC compound in house to make PVC fillers, which are then used in laying process of HT cables, while it sells other raw materials to authorized recyclers. Additionally, it conducts and reviews air emission test every half year. There were no pending show cause/ legal notices from CPCB/SPCB at the end of FY2025. Also, KEI has been able to mitigate the regulatory risks by demonstrating a sound operational track record.

KEI's success depends critically on seamless execution of its growth strategies by its capable and competent workforce. Failure to hire and retain talent pool having necessary competencies may impact the organizations' ability to maintain and expand its business operations, and consequently its profitability. However, as per disclosures made by KEI, its employee-friendly HR policies strive to create and maintain a safe, conducive and engaging work environment, while connecting individual efforts with the Company's long-term strategy and growth objectives. Further, customer satisfaction remains critical for KEI's successful operations and for ensuring the same it conducts surveys every year. Additionally, slowdown in infrastructure investments can lead to lower demand for cables and wires and thus lower sales, however, with KEI being highly diversified with respect to end-users as well as geography, this risk is mitigated to an extent. Therefore, while KEI remains exposed to the aforementioned social risk, it does not materially affect its credit profile as of now.

Analytical approach

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

About the company

KEI Industries Limited (KEI) was incorporated in 1968, as a partnership firm, under the name Krishna Electrical Industries and started with manufacturing switch board cables. It was converted into a public limited company in 1992 and was listed on the stock exchanges in 1995. The company is involved in manufacturing low tension, high tension and extra high voltage cables, along with control and instrumentation and speciality cables, house wires and stainless-steel wires. The company's manufacturing facilities are at Bhiwadi, Chopanki, Pathredi, Silvassa and Chinchpada. KEI is setting up a plant in Sanand (Gujrat), which is likely to be operationalised partly during FY2026, apart from brownfield capex being undertaken regularly at existing plants. In addition, it is involved in EPC work for electrification, including laying cables, setting up transformers, separating feeders and last mile connection.

Key financial indicators (audited)

KEI Standalone	FY2024	FY2025
Operating income	8121	9736
PAT	581	696
OPBDIT/OI	10.5%	10.2%
PAT/OI	7.2%	7.2%
Total outside liabilities/Tangible net worth (times)	0.5	0.3
Total debt/OPBDIT (times)	0.79	0.47
Interest coverage (times)	19.5	17.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)				Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Term Loan	Long-Term	-	June 26, 2025	-	Aug 23, 2024	[ICRA]AA (Positive)	Aug 31, 2023	-	June 02, 2022	[ICRA]AA- (Stable)
									Aug 25, 2022	[ICRA]AA (Stable)
Fund Based – Working Capital Facilities	Long-Term	-	June 26, 2025	-	Aug 23, 2024	[ICRA]AA (Positive)	Aug 31, 2023	[ICRA]AA (Stable)	June 02, 2022	[ICRA]AA- (Stable)
									Aug 25, 2022	[ICRA]AA (Stable)
Fixed deposit	Long-Term	-	June 26, 2025	-	Aug 23, 2024	[ICRA]AA (Positive); Withdrawn	Aug 31, 2023	[ICRA]AA (Stable)	June 02, 2022	[ICRA]AA- (Stable)
									Aug 25, 2022	[ICRA]AA (Stable)
Non-Fund Based – Working Capital Facilities	Short-Term	-	June 26, 2025	-	Aug 23, 2024	[ICRA]A1+	Aug 31, 2023	[ICRA]A1+	June 02, 2022	[ICRA]A1+
									Aug 25, 2022	[ICRA]A1+
Fund-based/Non-fund based - Working Capital Facilities	Long-Term/ Short-Term	3210.00	June 26, 2025	[ICRA]AA+ (Stable)/ [ICRA]A1+	Aug 23, 2024	-	Aug 31, 2023	-	-	-

Unallocated Limits	Long-Term/ Short-Term	600.00	June 26, 2025	[ICRA]AA+ (Stable)/ [ICRA]A1+	Aug 23, 2024	-	Aug 31, 2023	[ICRA]AA (Stable)/ [ICRA]A1+	June 02, 2022	[ICRA]AA- (Stable)/ [ICRA]A1+
									Aug 25, 2022	[ICRA]AA (Stable)/ [ICRA]A1+
Commercial Papers	Short-Term	40.00	June 26, 2025	[ICRA]A1+	Aug 23, 2024	[ICRA]A1+	Aug 31, 2023	[ICRA]A1+	June 02, 2022	[ICRA]A1+
									Aug 25, 2022	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term/ Short Term -Fund-based/Non-fund based - Working Capital Facilities	Simple
Long Term/ Short Term -Unallocated Limits	Not Applicable
Commercial Papers	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	Long Term/ Short Term -Fund-based/Non-fund based - Working Capital Facilities	NA	NA	NA	3210.00	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	Long Term/ Short Term -Unallocated Limits	NA	NA	NA	600.00	[ICRA]AA+ (Stable)/ [ICRA]A1+
Yet to be placed	Commercial Papers	NA	NA	NA	40.00	[ICRA]A1+

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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