

June 30, 2025

Kartikeya Industries Private Limited: Ratings downgraded

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund-based limits - Cash credit	32.00	32.00	[ICRA]BB+ (Stable); downgraded from [ICRA]BBB- (Stable)
Long term – Term loans	3.02	1.33	[ICRA]BB+ (Stable); downgraded from [ICRA]BBB- (Stable)
Short term – Non-fund based - Bank guarantee	40.00	40.00	[ICRA]A4+; downgraded from [ICRA]A3
Long term/Short term- Unallocated	11.98	13.67	[ICRA]BB+ (Stable)/[ICRA]A4+; downgraded from [ICRA]BBB- (Stable)/ [ICRA]A3
Total	87.00	87.00	

*Instrument details are provided in Annexure I

Rationale

The ratings downgrade factors in the stretched liquidity position of Kartikeya Industries Private Limited (KIPL) on account of its high working capital intensity, reflected in an average working capital utilisation of around ~95% over the last 14 months ended April 2025. Further, the coverage indicators declined with an interest coverage of 2.3 times in FY2024 and 2.4 times in 9M FY2025, down from 3.1 times in FY2023. The ratings are also constrained by the company's modest scale of operations. Further, the fabrication/engineering segment is highly competitive and fragmented, with the presence of numerous small and large players. Moreover, majority of the orders are tender-driven, which impacts the pricing flexibility. The profitability also remains exposed to the volatility in raw material prices and inability to simultaneously pass on any such increase in raw material prices.

However, the ratings take comfort from KIPL's established presence and the experience of the promoters in the domestic steel fabrication industry. The ratings also factor in the low counterparty credit risk, given the company's reputed customer base with a track record of repeat business. Further, the company had an unexecuted order book position of ~Rs. 165 crore as on April 30, 2025, which is expected to increase further with the addition of new orders, providing near-term revenue visibility.

The Stable outlook on the ratings reflects ICRA's opinion that KIPL will continue to maintain its earnings profile, backed by an adequate order book and a comfortable capital structure.

Key rating drivers and their description

Credit strengths

Established presence in steel fabrication business - KIPL's promoters have extensive experience in the steel fabrication and pre-engineered building (PEB) business. Over the years, the promoters have established strong relationships with its clients, which have helped the company get repeat business. Its client profile comprises strong and reputed players, which renders low counterparty risk.

Order book position provides near-term revenue visibility - The company has an unexecuted order book of ~Rs. 165 crore as on April 30, 2025, which provides near-term revenue visibility. The order book position is expected to improve further in FY2026 with the addition of new orders. The company's revenue is expected to grow in FY2026 and FY2027, driven by a confirmed order book position and new orders in the pipeline in the PEB segment.

Comfortable capital structure— Though KIPL's margins moderated to 6.4% in FY2024 from 7.5% in FY2023, they are expected to improve to around 7% in FY2025 and remain around the similar levels in FY2026. The company's financial risk profile is comfortable with a gearing of 1.0 times and TOL/TNW of 1.6 times as on March 31, 2024 and are expected to remain at similar levels in FY2025 and FY2026.

Credit challenges

Moderation in debt coverage metrics - The coverage indicators declined with an interest coverage of 2.3 times in FY2024 and 2.4 times in 9M FY2025 (reduced from 3.1 times in FY2023) owing to the increased working capital debt.

Intense competition - The fabrication/engineering segment is highly competitive and fragmented, with the presence of numerous small and large players. Moreover, the company's major orders are tender-driven, which impacts pricing flexibility. However, the low counterparty risk and repeat orders from the clients give the company business stability. KIPL's overall scale of operations remains moderate, with revenues of Rs. 185 crore in FY2024 and ~Rs. 140 crore in 9M FY2025.

Susceptibility of profitability to volatility in raw material prices - The company's profitability remains vulnerable to the volatility in raw material prices (mainly steel). KIPL's operating margins have been fluctuating between 5.7% and 10% over the past few years, primarily due to fluctuations in raw material costs and the inability of the company to pass on the increase in raw material prices. After witnessing a sharp decline in margins in the last few years due to the fluctuations in raw material prices, the company introduced a price variation clause for the railway division. Some established clients have also agreed to the inclusion of a price variation clause for future orders. This is expected to protect its margins against the input cost fluctuations to some extent.

Liquidity position: Stretched

The company's liquidity is stretched with almost 95% average utilisation of the fund-based limits over the last 14 months ended April 2025. However, KIPL has a scheduled debt repayment obligation of ~Rs. 0.79 crore in FY2026 and ~Rs. 0.56 crore in FY2027 and no major capital expenditure plans, which should be adequately serviced from its operating cash flows.

Rating sensitivities

Positive factors – ICRA could upgrade KIPL's ratings if the company demonstrates a sustained improvement in its liquidity position while maintaining the earnings profile and debt coverage metrics.

Negative factors – ICRA may downgrade the ratings if there is a substantial decline in the scale of operations, or weakening in the profitability levels. Any large debt-funded capex, or a stretch in the working capital cycle adversely impacting the liquidity profile and key credit metrics will also be a negative trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company

About the company

KIPL was incorporated in 2013 by Mr. Anantha Reddy and the commercial operations started in April 2014. The company manufactures fabrication equipment, steel building components, railway coaches, solar module mounting structures, metal crash barriers, guard rails etc and has an installed capacity of 36,000 MTPA. The company's manufacturing unit is at Sadasivpet,

Telangana. KIPL supplies fabricated steel structures for steel buildings, pre-engineered buildings, highways, road construction, railways, general, engineering & fabrication and solar power projects.

Key financial indicators (audited)

Company name (consolidated)	FY2023	FY2024	9MFY2025*
Operating income	173.0	185.3	140.2
PAT	4.2	3.7	4.1
OPBDIT/OI	7.5%	6.4%	8.0%
PAT/OI	2.4%	2.0%	2.9%
Total outside liabilities/Tangible net worth (times)	1.3	1.6	1.3
Total debt/OPBDIT (times)	2.3	4.0	3.2
Interest coverage (times)	3.1	2.3	2.4

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

Status of non-cooperation with previous CRA:

CRA	Status	Date of release
BWR	[BWR]B-(Stable)/BWRA4; ISSUER NOT COOPERATING; Long-term rating downgraded; short-term rating reaffirmed; continues to be in ISSUER NOT COOPERATING category	October 01, 2024

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	June 30, 2025	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	32.00	[ICRA]BB+ (Stable)	-	-	Jul-07-23	[ICRA]BBB- (Stable)	Sep-13-22	[ICRA]BBB- (Stable)
				-	-	Mar-28-24	[ICRA]BBB- (Stable)	-	-
Term loans	Long term	1.33	[ICRA]BB+ (Stable)	-	-	Jul-07-23	[ICRA]BBB- (Stable)	Sep-13-22	[ICRA]BBB- (Stable)
				-	-	Mar-28-24	[ICRA]BBB- (Stable)	-	-
Bank guarantee	Short term	40.00	[ICRA]A4+	-	-	Jul-07-23	[ICRA]A3	Sep-13-22	[ICRA]A3
				-	-	Mar-28-24	[ICRA]A3	-	-
Unallocated	Long term and short term	13.67	[ICRA]BB+ (Stable)/ [ICRA]A4+	-	-	Jul-07-23	[ICRA]BBB- (Stable)/ [ICRA]A3	Sep-13-22	[ICRA]BBB- (Stable)/ [ICRA]A3
				-	-	Mar-28-24	[ICRA]BBB- (Stable)/ [ICRA]A3	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Cash credit	Simple
Long-term fund-based – Term loans	Simple
Short term – Non-fund based - Bank guarantee	Very Simple
Long term/Short term unallocated	Not applicable

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	-	-	-	32.00	[ICRA]BB+ (Stable)
NA	Term loans	Nov 2021	-	Nov 2026	1.33	[ICRA]BB+ (Stable)
NA	Bank guarantee	-	-	-	40.00	[ICRA]A4+
NA	Unallocated limits	-	-	-	13.67	[ICRA]BB+ (Stable)/ [ICRA]A4+

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

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Prashant Vasisht

+91 12 4454 5322

prashant.vasisht@icraindia.com

Kushal Kumar B

+91 40 69396408

kushal.kumar@icraindia.com

Harjot Singh Panwar

+91 124 4545 414

harjot.panwar@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.