March 26, 2026

Kellton Tech Solutions Limited: [ICRA]A- (Stable)/[ICRA]A2+; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-Term – Fund based – Others	168.00	[ICRA]A- (Stable); assigned
Long-Term – Non- Fund based – Others	22.00	[ICRA]A- (Stable); assigned
Long-Term – Interchangeable limits	(46.42)	[ICRA]A- (Stable); assigned
Short-Term – Non Fund based – Others	20.00	[ICRA]A2+; assigned
Short Term – Unallocated Limits	40.00	[ICRA]A2+; assigned
Total	**250.00**	

**Instrument details are provided in Annexure I*

Rationale

The assigned ratings factor in Kellton Tech Solutions Limited's (KTSL) long track record in the information technology (IT) services industry and experienced promoters, which has enabled it to build a diversified client base across a wide range of industries. It derives around 30-31% of its revenue from the IT services segment, followed by professional services and healthcare, which contributed 15-16% and 11-12% of revenue, respectively, in 9M FY2026. Its customer concentration remains healthy, with the top five clients accounting for 16-17% of revenue in 9M FY2026. KTSL's customer base includes marquee names such as Oil India Limited, Life Insurance Corporation, entities of the TATA Group, and the Mahindra Group, among others. The company has been adding new customers, while repeat business from existing clients has accounted for 83-86% of revenue over the past two years. Aided by strong demand in the company's key segments such as digital transformation programmes, AI-led intelligent automation, cloud-native engineering, and enterprise-solution implementations, its revenue grew at a healthy CAGR of 12.2% in the four years ended FY2025. It is expected to record healthy double-digit revenue growth in the next two years on the back of a scale-up in revenue from recent acquisitions and sustained demand for AI-centric projects. Operating margins remained range-bound at 10-12% over the past three years but are expected to improve with an increase in scale going forward. The ratings also draw comfort from the company's comfortable capital structure and coverage metrics, which are likely to improve further with growth in earnings.

The ratings, however, are constrained by the working capital-intensive nature of the company's operations, with NWC/OI of over 50%, owing to elongated receivable cycles. The company has sizeable unbilled revenue because of delays in receiving approvals from clients in both manpower-based billing and milestone-based billing contracts. Moreover, it extends a credit period of up to 90-120 days, which is on the higher side for IT services clients. As a mid-sized IT services player, Kellton has limited bargaining power compared to larger peers, which constrains its ability to shorten receivable days. The ratings also consider the high geographic concentration risk, as the US accounts for over 80% of the company's revenue, exposing it to demand and regulatory risks in that geography. Further, the company operates in a highly competitive global IT services environment characterised by pricing pressure, rapid technological changes, and competition from large IT players as well as niche digital firms. This intensifies margin pressures and necessitates continuous investments in talent and digital capabilities.

The Stable outlook on the rating reflects ICRA's opinion that the company will continue to record healthy growth in revenue and earnings, supported by its established client base and customised solutions, along with the scale-up of operations from its recent acquisitions.

Key rating drivers and their description

Credit strengths

Diversified client base with high repeat business - KTSL has a diversified customer base across a wide range of industries, with the top five clients accounting for 17.0% and the top 10 accounting for 26.8% of total revenue as of Q3 FY2026. Its leading customers include marquee names such as Oil India Limited, Life Insurance Corporation, entities of the TATA group, and the Mahindra group, among others. The end-user industry profile remains fairly diversified, with Information Services & Technology contributing 30-31% of revenue in 9M FY2026, professional/business services contributing 15-16%, and healthcare and life sciences accounting for around 11-12%. Moreover, the share of repeat revenue from clients stood at 86.3% in FY2025 and 83.7% in FY2024, reflecting the sticky nature of client relationships and mitigating demand-side volatility to an extent.

Healthy growth in revenue and earnings - The company's operating income grew at a CAGR of 6.8% in the four years ended FY2025, driven by continued traction in digital transformation programmes, AI-led intelligent automation, cloud-native engineering, and enterprise-solution implementations. In 9M FY2026, the company reported revenue of Rs. 903.1 crore, representing a YoY growth of 9.7%. The company is expected to record healthy double-digit revenue growth in FY2027 and FY2028, driven by scaling up of internal AI platforms and increasing scale from inorganic acquisitions. The company's OPBDITA margins remained range-bound at 10-12% over the last three years and are expected to improve in the next two years, driven by improved profitability from proprietary projects and AI-led service growth.

Comfortable leverage and coverage metrics- The company's financial profile is healthy, with gearing at 0.2 times as of March 31, 2025, and is expected to remain low at around 0.2 times in FY2026 and 0.1 times in FY2027, supported by modest reliance on external borrowings and periodic equity infusions. Coverage indicators have also remained comfortable, with expected total debt/OPBDITA of around 1 - 1.2 times and interest coverage of over 7 times in FY2026. Debt metrics are expected to remain comfortable, aided by scheduled repayments of long-term debt and improved earnings.

Credit challenges

High working capital intensity owing to elongated receivables cycle- The company's operations remain working capital-intensive, with NWC/OI of over 50% owing to sizeable unbilled revenue and extended receivables cycles. Delays in approvals from clients in both manpower-based billing and milestone-based billing contracts result in high unbilled revenue. Moreover, the company offers a credit period of up to 90-120 days, especially for clients from the IT services sector, resulting in extended receivables cycles. As a mid-sized IT services provider, KTSL has limited negotiating power to shorten these timelines. The company has been funding its working capital requirements through debt and equity infusions. However, sustained improvement in the working capital cycle remains crucial for the efficient scale-up of operations.

High geographic and service offering concentration - The company's revenue profile remains predominantly US-centric, with USA contributing 82% in 9M FY2026, exposing it to geography-specific demand and regulatory risks. However, the company's established client base and consistent repeat business mitigate this risk to an extent. The APAC region (including India) contributed 10-11% of revenue in 9M FY2026, supported mainly by delivery-linked projects and regional implementations, while Europe contributed around 7.5%.

Exposure to intense competition in global IT industry - The global IT services industry is dominated by several large players, leading to intense margin pressure. Kellton is a mid-sized Indian IT services company and faces competition from domestic players such as TCS, Infosys, HCL Technologies, and Wipro, as well as international players like IBM, Accenture, Cognizant, and Capgemini, among others. Apart from these, several smaller niche technology firms also contribute to the highly competitive landscape.

Environmental and social risks

Environmental considerations: Given the service-oriented nature of the business, KTSL's direct exposure to environmental risks, as well as those arising from regulations or policy changes, is not material.

Social considerations: KTSL, like other IT services companies, remains exposed to risks associated with data protection and cybersecurity breaches, given the sensitivity of customer information handled across its digital transformation and product-engineering engagements. Any material lapse on this front could result in regulatory penalties and reputational impact. The company also faces broader industry risks arising from changes in visa and immigration regulations in its key operating geographies, which could influence employee availability and cost structures. Effective management of human capital remains critical, given the reliance on skilled technology professionals and the need for continuous upskilling in emerging digital and AI-led engineering areas. KTSL's structured HR and training practices, as disclosed in its public documents and filings, provide some comfort, although its mid-sized scale offers comparatively lower buffers against sudden spikes in attrition or wage inflation.

Liquidity position: Adequate

The company's liquidity is adequate, supported by expected retained cash flows of Rs. 95-100 crore in FY2027, undrawn working capital limits of Rs. 45-50 crore, and free cash balances of around Rs. 20 crore. The company raised $10 million through foreign currency convertible bond (FCCBs) in H1 FY2026, which were converted into equity during the year; the fund infusion supported the company's liquidity position amid an increase in receivables. Against these sources of funds, the company has moderate repayment obligations in FY2027 and is likely to invest Rs. 80-82 crore in product development over the next 12 months. It intends to raise funds through FCCBs in the next 12 months to support its inorganic expansion. Timely fund-raising remains a monitorable.

Rating sensitivities

Positive factors – ICRA could upgrade the company's ratings if healthy growth in earnings, backed by diversified service offerings, along with improvement in the working capital (receivables) cycle, leads to stronger debt metrics and liquidity position.

Negative factors – Pressure on the ratings could arise if a material decline in revenue or earnings, or a sizeable debt-funded acquisition, adversely impacts its debt coverage metrics, or if a stretched receivables cycle weakens its liquidity position.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT – Software & Services
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the company's consolidated financial statements.

About the company

Incorporated in 2009 in Hyderabad, Kelston Tech Solutions Limited (KTSL) is an Information Technology (IT) services company that was acquired by its current promoters, Mr. Niranjan Chintam and Mr. Krishna Chintam, in 2009. The company offers digital transformation services, enterprise solutions, and consultancy services to customers across India, the USA, Europe, and APAC.

Key financial indicators (audited)

Kellton Tech Solutions Limited (consolidated)	FY2024	FY2025	9M FY2026*
Operating income	982.9	1,097.8	903.1
PAT	64.0	79.7	72.1
OPBDIT/OI	10.7%	11.7%	12.2%
PAT/OI	6.5%	7.3%	8.0%
Total outside liabilities/Tangible net worth (times)	0.5	0.5	No data
Total debt/OPBDIT (times)	1.5	1.4	No data
Interest coverage (times)	5.7	6.3	7.2

*Source: Company, ICRA Research; * Results; 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
Fund based – Others	Long-term	168.00	Mar 26, 2026	[ICRA]A-(Stable)	-	-	-	-	-	-
Non- Fund based – Others	Long-term	22.00	Mar 26, 2026	[ICRA]A-(Stable)	-	-	-	-	-	-
Interchangeable limits	Long-term	(46.42)	Mar 26, 2026	[ICRA]A-(Stable)	-	-	-	-	-	-
Non Fund based – others	Short-term	20.00	Mar 26, 2026	[ICRA]A2+	-	-	-	-	-	-
Unallocated Limits	Short-term	40.00	Mar 26, 2026	[ICRA]A2+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-Term – Fund based – Others	Simple
Long-Term – Non- Fund based – Others	Simple
Long-Term – Interchangeable limits	Simple
Short-Term – Non Fund based – Others	Simple
Short Term – Unallocated limits	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	Long-Term – Fund based – Others	NA	NA	NA	168.00	[ICRA]A-(Stable)
NA	Long-Term – Non-Fund based – Others	NA	NA	NA	22.00	[ICRA]A-(Stable)
NA	Long-Term – Interchangeable limits	NA	NA	NA	(46.42)	[ICRA]A-(Stable)
NA	Short-Term – Non Fund based – others	NA	NA	NA	20.00	[ICRA]A2+
NA	Short Term – Unallocated limits	NA	NA	NA	40.00	[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

Company name	Ownership	Consolidation approach
Kellton Dbydx Software Pvt Ltd	100%	Full Consolidation
Kumori Technologies Services	100%	Full Consolidation
Kellton Tech Inc.	100%	Full Consolidation
Kellton Tech Solutions Inc.	100%	Full Consolidation

Source: Company Data

ANALYST CONTACTS

Jitin Makkar
+91 124 4545 368
jitinm@icraindia.com

K Srikumar
+91 44 4596 4318
ksrikumar@icraindia.com

Nithya Debbadi
+91 40 6939 6416
nithya.debbadi@icraindia.com

Prabhav Tiwari
+91 124 4545802
prabhav.tiwari@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

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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