

August 08, 2025

## UKB Electronics Limited: Ratings upgraded; outlook revised to Stable

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based limits – Term loans	62.00	62.00	[ICRA]A- (Stable); upgraded from [ICRA]BBB+ (Positive); outlook revised to Stable from Positive
Long-term/short-term – Working capital facilities	270.50	270.50	[ICRA]A- (Stable)/ [ICRA]A2+; upgraded from [ICRA]BBB+ (Positive)/ [ICRA]A2; outlook revised to Stable from Positive
<b>Total</b>	<b>332.50</b>	<b>332.50</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The upgraded ratings for UKB Electronics Limited (UKB) reflect its well-established market position and the promoters' extensive experience of over two decades in the manufacturing of electronic components, primarily catering to the white goods segment. This has enabled the company to report healthy revenue growth at a compound annual growth rate (CAGR) of approximately 24% over FY2021-FY2025 to Rs. 787.9 crore. Additionally, the operating profit (OPBIDTA) has also grown multi-fold over this period, driven by the increase in revenue as well as the enhancement in operating margins. This enhancement is attributed to the increasing economies of scale, higher level of backward integration and rising share of exports/value-added products, which are inherently more profitable. The company has secured the requisite approvals from the relevant state and regulatory authorities, following which it has commenced supplies to several customers within its strategic electronics segment since FY2025. These include entities such as the Indian Navy, Ministry of Defence, Ministry of Railways (including passenger and locomotive coaches) among others. The strategic electronics segment, including the automotive industry (including EVs) is witnessing notable expansion, supported by ongoing investments in capacity enhancement and new product development, which are expected to drive healthy revenue growth. Simultaneously, the company continues to strengthen its presence in the consumer electronics segment, building on established relationships with reputed clients. Efforts to onboard new customers and diversify across industries are anticipated to further support revenue growth. UKB's accrual generation and debt coverage metrics are projected to remain healthy, underpinned by the growth in export sales, ongoing capacity augmentation and widening product portfolio.

The ratings, however, remain constrained by the company's high working capital intensity, driven by elevated inventory requirements and relatively higher receivable levels necessary to sustain manufacturing operations. UKB operates in a highly competitive industry, with profit margins susceptible to fluctuations in key raw material prices and foreign exchange rates. However, these risks are largely mitigated through pass-through mechanisms and a natural hedge provided by its export presence. The company also faces customer concentration risk, with its top 10 clients contributing approximately 70% of revenues in recent years. However, the company has longstanding relationships with these customers which provides revenue visibility and mitigates the risk to some extent. Additionally, this concentration is expected to moderate over time, supported by diversification initiatives and an increasing share of business from exports, strategic electronics, automotive (including EVs) and industrial segments.

The Stable outlook on the long-term rating reflects ICRA's opinion that UKB will continue to benefit from its business position, established relationships with its key customers and steady demand from key end-user industries, enabling it to report steady growth in revenue and earnings.

## Key rating drivers and their description

### Credit strengths

**UKB's established market position and extensive experience of its promoters in the electrical and electronics industry** – UKB has established itself as one of the leading manufacturers of electronic components, catering primarily to the consumer durables and the white goods industry. This has been supported by its diverse product profile, established operational track record and eleven manufacturing set-up across six states. 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, UKB has set up 11 manufacturing facilities and 3 warehouses across six states, including Noida (Uttar Pradesh), Pune (Maharashtra), Ghiloth (Rajasthan), Goa, Andhra Pradesh, Chennai (Tamil Nadu) and Gujarat 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. UKB's operating profit margin (OPM) has also improved to 12.4% in FY2025 from 10.4% in FY2024 (11.4% in FY2023) on the back of economies of scale, higher margin accretive products and a greater share of exports.

**Customer base includes reputed domestic and global companies of white goods industry** – UKB 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. Moreover, the company recently diversified into the strategic electronics segment, wherein it supplied speciality e-beam cables to entities, such as the Indian Navy, Ministry of Defence, and Ministry of Railways, among others, along with EV cables and chargers for leading automotive OEMs (Original Equipment Manufacturers). A robust manufacturing set-up, coupled with capacity expansion plans and new product launches, is 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 steady capital structure and coverage position. UKB reported a healthy revenue growth of around 35% YoY in FY2025 to Rs. 787 crore, driven by a diversification in various segments with a wide product portfolio, new customer additions and enhanced capacities. The company's wide product portfolio, coupled with backward-integrated operations and increasing contribution from relatively higher-margin products, has supported improvement in OPM in recent years. This has also resulted in improved debt protection metrics in FY2025, reflected in Total Debt/OPBDITA of 2.6<sup>1</sup> times and interest coverage of 4.4 times (3.2 times and 2.9 times in FY2024, respectively). These metrics are expected to strengthen further (with total debt/OPBDITA of less than 2.3 times over the medium term), with healthy scale-up 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, namely copper and polyvinyl chloride (PVC), which are sourced from both domestic and international vendors. Also, the margins are exposed to volatility in foreign exchange rates, given that a portion of the raw material requirement is met through imports. However, this risk is mitigated to an extent by the natural hedge enjoyed by UKB. Additionally, UKB has demonstrated its ability to largely pass on increases in raw material costs, which has significantly reduced this risk. UKB also operates within an intensely competitive market; however, it benefits from its established market position, integrated manufacturing set-up, and strong relationships with 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 over the past three fiscals. This is accentuated by UKB's sales being largely driven by the consumer durables/white goods industry, owing to its established presence in the segment. However, the company's recent

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<sup>1</sup> Total debt includes lease liabilities

efforts to diversify into new business segments and roll out new products have led to the addition of new customers, which provides comfort.

**Working capital-intensive nature of operations** – Given the integrated manufacturing set-up, the 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 activities. This, coupled with a receivable cycle of 80-85 days, has led to high working capital intensity in the business, as marked by NWC/OI of around 25% in FY2025, 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

UKB's liquidity is adequate, supported by steady internal accrual generation and a cushion of around Rs. 31 crore in the form of undrawn bank lines as on June 30, 2025. The company plans to incur capital expenditure (capex) of around Rs. 90 crore in FY2026, along with Rs. 40-50 crore during FY2027-FY2028, towards setting up incremental capacities at its Rajasthan, Pune and other units. This capex is expected to be funded through a mix of debt and internal accruals. UKB also has debt repayment obligations of Rs. 15-30 crore in FY2026 and FY2027, which are expected to be comfortably met through cash flows from operations, estimated at Rs. 45-60 crore per annum during the same period.

### Rating sensitivities

**Positive factors** – ICRA could upgrade UKB's ratings if the company reports healthy revenue growth and sustenance of margins, resulting in strengthening of its debt protection metrics.

**Negative factors** – Pressure on UKB's ratings could arise if a 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 UKB's ratings include total debt/OPBDITA of more than 2.3 times on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

### About the company

UKB 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, EV charging system 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).

### Key financial indicators (audited)

UKB – Standalone	FY2024	FY2025
Operating income	581.7	787.9
PAT	26.7	46.0
OPBDIT/OI	10.4%	12.4%
PAT/OI	4.6%	5.8%
Total outside liabilities/Tangible net worth (times)	1.6	1.8
Total debt <sup>2</sup> /OPBDIT (times)	3.2	2.6
Interest coverage (times)	2.9	4.4

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:

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

Instrument	Current rating (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Aug 8, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loans	Long-term	62.00	[ICRA]A-(Stable)	Apr 02, 2025	[ICRA]BBB+(Positive)	Mar 14, 2024	[ICRA]BBB+(Stable)	-	-	Jan 31, 2023	[ICRA]BBB+(Stable)
Working capital facilities	Long-term/Short-term	270.50	[ICRA]A-(Stable)/[ICRA]A2+	Apr 02, 2025	[ICRA]BBB+(Positive)/[ICRA]A2	-	-	-	-	-	-
Cash Credit	Long-term	-	-	-	-	Mar 14, 2024	[ICRA]BBB+(Stable)	-	-	Jan 31, 2023	[ICRA]BBB+(Stable)
LC/BG	Short-term	-	-	-	-	Mar 14, 2024	[ICRA]A2	-	-	Jan 31, 2023	[ICRA]A2
Cash Credit*	Long-term	-	-	-	-	Mar 14, 2024	[ICRA]BBB+(Stable)	-	-	Jan 31, 2023	[ICRA]BBB+(Stable)
LC/BG <sup>^</sup>	Short-term	-	-	-	-	Mar 14, 2024	[ICRA]A2	-	-	Jan 31, 2023	[ICRA]A2
Unallocated Limits	Long-term/Short-term	-	-	-	-	-	-	-	-	Jan 31, 2023	[ICRA]BBB+(Stable)/[ICRA]A2
		-	-	-	-	-	-	-	-	Jan 05, 2023	[ICRA]BBB+(Stable)/[ICRA]A2

<sup>^</sup>/<sup>\*</sup> - sub-limits

<sup>2</sup> Total debt includes lease liabilities

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Longterm – 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
NA	Term loans	FY2022	7.0%-8.0%	FY2028	62.00	[ICRA]A- (Stable)
NA	Working capital facilities	NA	NA	NA	270.50	[ICRA]A- (Stable)/ [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**

## ANALYST CONTACTS

**Jitin Makkar**

+91 124 4545368

[jitinm@icraindia.com](mailto:jitinm@icraindia.com)

**Deepak Jotwani**

+91 124 4545870

[deepak.jotwani@icraindia.com](mailto:deepak.jotwani@icraindia.com)

**Shubham Gupta**

+91 124 4545399

[shubham.gupta2@icraindia.com](mailto:shubham.gupta2@icraindia.com)

**Kinjal Shah**

+91 22 61143422

[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Charvi Sagar**

+91 22 61143441

[charvi.sagar@icraindia.com](mailto:charvi.sagar@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

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

[info@icraindia.com](mailto:info@icraindia.com)

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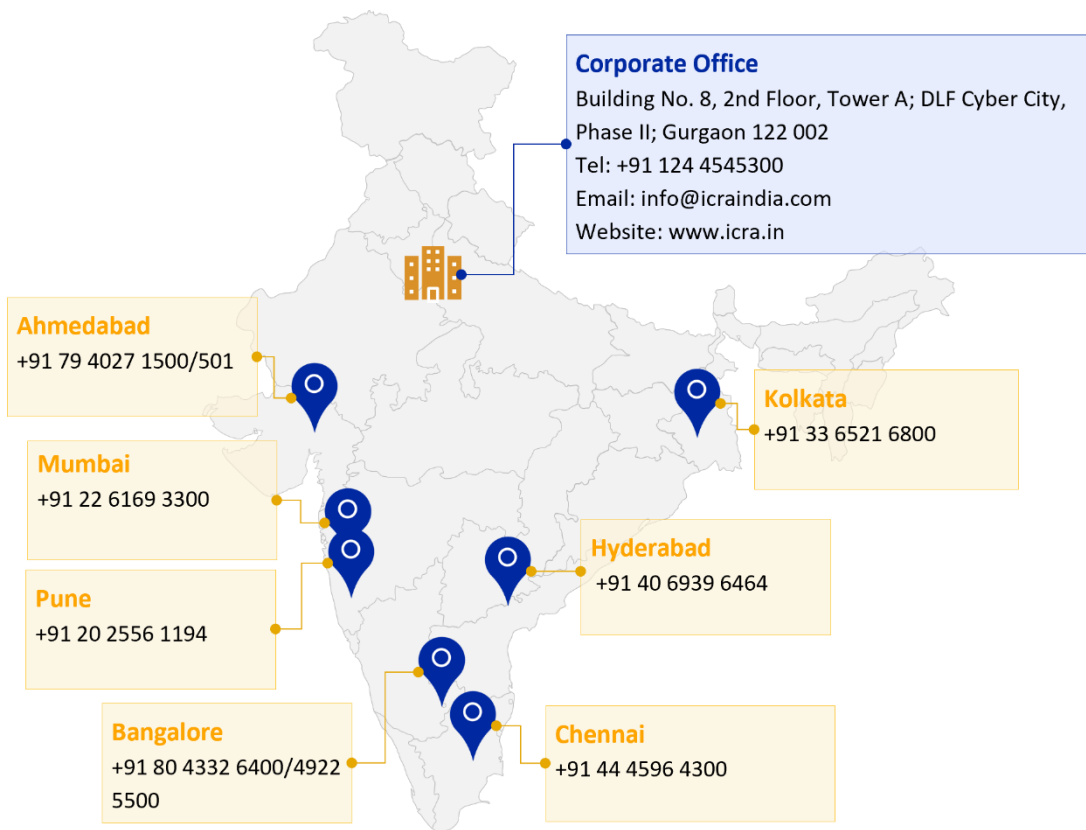
### Registered Office

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

Tel: +91 11 23357940-45



### Branches



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