India Ratings & Research
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India Ratings Upgrades Karamtara Engineering's Bank Facilities to 'IND A+'/Stable; Rates Additional Limits

Jul 21, 2025 | Heavy Electrical Equipment

India Ratings and Research (Ind-Ra) has upgraded Karamtara Engineering Limited's (KEL) long-term bank loan rating to 'IND A+' from 'IND A' with a Stable outlook. The detailed rating actions are as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Fund-based working capital limits	-	-	-	INR3,500.00	IND A+/Stable	Upgraded
Term loans	-	-	31 March 2031	INR144.96* (reduced from INR1,240)	IND A+/Stable	Upgraded
Term loans	-	-	31 March 2032	INR1,950.48	IND A+/Stable	Assigned
Bank loans- Unallocated	-	-	-	INR3,024.56	IND A+/Stable	Assigned
Fund-based working capital limits	-	-	-	INR1,000.00	IND A+/Stable	Assigned
Non-fund-based working capital limits	-	-	-	INR3,500.00	IND A1	Assigned
Non-fund-based working capital limits	-	-	-	INR11,200.00	IND A1	Affirmed

*Includes proposed bank loans of INR6.20 million rated previously

Analytical Approach

Ind-Ra has changed its rating approach from taking a standalone view of KEL to fully consolidating its 100% subsidiaries - Karamtara USA Inc, Karamtara Renewables Saudi Limited, Karamtara Italy s.r.l. and its 100% step down subsidiary ISELFA Morsetteria s.r.l and Karamtara Green Energy Limited- while arriving at the ratings, owing to the strong operational and strategic linkages between the entities.

Detailed Rationale of the Rating Action

The upgrade reflects an improvement in KEL's scale of operations along with a sustained high revenue share from its solar segment and a steady EBITDA per tonne in FY25, and Ind-Ra's expectation that it will sustain in the near term. The ratings factor in reduced customer concentration in FY25, with a moderation in the share of the top 10 customers and top customer to the revenue. The ratings also consider the ongoing capacity addition and operations in the wind segment that are likely to support business growth and improve revenue diversity. The ratings, however, are constrained by the geographical concentration of the order book, particularly exports, that exposes the company to the risks associated with geopolitical events. The ratings are also constrained by the inherent risks associated with volatility in raw material prices and forex and working capital-intensive operations. The company filed a draft red herring prospectus (DRHP) in January 2025 and expects to receive the proceeds of an initial public offer (IPO) by 3QFY26. Ind-Ra will monitor the developments around IPO, the proceeds of which will be used primarily to deleverage the balance sheet and support business growth.

List of Key Rating Drivers

Strengths

- Improved profitability from sustained share of solar projects in product mix
- Credit metrics likely to sustain in FY26
- Contracted sales with customers support revenue visibility
- Timely IPO proceeds to support planned scale up of operations
- Order book dominated by export orders of solar projects

Weaknesses

- Inherent industry risks on raw material price volatility and forex
- Working capital intensive operations

Detailed Description of Key Rating Drivers

Improved Profitability from Sustained Share of Solar Projects in Product Mix: The consolidated revenue increased to INR31,584 million in FY25 (FY24: INR24,252 million), mainly due to a rise in the standalone KEL's revenue, which contributed 98%-99% to the consolidated revenue in FY24-FY25. The consolidated EBITDA margin also improved on a higher share of a high-margin solar product to 11.03% in FY25 (FY24: 10.84%). Exports constituted around 51.3% of the FY25 revenue, with solar products contributing around 81.40% of the revenue. Within exports, around 86.48% were to the US, followed by the European Union and the Middle East. Given the start of the wind tower manufacturing plant, mainly on a job-work model, the revenue stream is likely to diversify in FY26. Ind-Ra expects this, along with the proposed project of torque tube and tracker piles/piers for solar, transmission line towers in Saudi Arabia, to improve the diversity in geographical operations in FY27. However, the solar segment will continue to dominate the revenue mix in FY26-FY27 - both in domestic and export sales - given the robust global demand for renewables.

Credit Metrics Likely to Sustain in FY26: Given the steady operational performance, the EBITDA per tonne sustained in the range of INR11,000-12,000 over FY24-FY25 and is likely to be in the same range in FY26. The consolidated EBITDA improved to INR3,483 million in FY25 (FY24: INR2,629 million), led mainly by the order execution in the solar segment by KEL. Given the revenue from the wind segment and transmission line towers, the concentration of revenue from the solar segment is likely to reduce over FY26-FY27. The improvement in the scale of profitability led to a reduction in the net adjusted leverage (including letter of credit (LC) acceptances) to 3.11x in FY25 (FY24: 3.67x); the gross interest coverage was largely stable at 2.69x in FY25 (FY24: 2.83x). Given debt-funded capex planned over FY26-FY27 in expanding wind and solar capacities, Ind-Ra expects the net adjusted leverage to be at slightly higher than the current level, despite the likely improvement in profitability over the same period. However, the timely receipt of IPO proceeds by 3QFY26 as guided by the management will support deleveraging of the balance sheet and hence improvement in the credit metrics.

Contracted Sales with Customers Support Revenue Visibility: Exports accounted for KEL's 51.31% of FY25 revenue, supported by its established relationship and payment terms with the suppliers and customers. Key names in the US have approved KEL's products and thus, it has been getting repeat orders from such customers. The share of top 10 customers reduced to around 41% in FY25 (FY24: 63.4%), with the share of the top customer also reducing to 6.2% in FY25 (FY24: 19%). The company also has a strong domestic customer base and has recently started job-work for wind towers at its new facility at Bhuj (Gujarat). KEL has longstanding relations with the suppliers as well, that help it create quality products for its end customers.

Timely IPO Proceeds to Support Planned Scale Up of Operations: KEL filed DRHP in January 2025 and raised around INR3,143 million as pre-IPO proceeds that were used for managing the working capital cycle that was stretched because the uncertainties of US tariffs, and some part of the pre-IPO proceeds used for maintenance capex. KEL is expecting proceeds of its INR17,500 million IPO by 3QFY26. The consists of a fresh issue of INR13,500 million and remaining INR4,000 million through the offer for sale. The proceeds will be used towards the repayment of borrowings and LC acceptances, and for general corporate purposes. Ind-Ra will continue to monitor the timelines for the proceeds of IPO as the proceeds will support balance sheet deleveraging and the ongoing debt-funded capex for scale up of business in India and Saudi Arabia.

Order Book Dominated by Export Orders of Solar Projects: KEL's exports are backed by healthy order inflows in the solar structures, followed by orders for transmission line and fasteners. Most of the solar project orders are from repeat customers in the US. However, given the ongoing geopolitical uncertainties and an improvement in the domestic demand, KEL's domestic order book has grown with a diverse customer base with companies such as Adani Green Energy Limited (debt rated at 'IND AA-'/Stable/ 'IND A1+') and others. Ind-Ra expects the order book to be robust with repeat overseas and domestic customers and a likely increase in the order inflow as the new transmission line tower, angular tower, tubular wind tower and solar product capacities ramp up in FY26.

Inherent Industry Risks on Raw Material Price Volatility and Forex: Raw materials formed around 72% of KEL's total costs in FY25 and are likely to remain around these levels in FY26. The major raw materials are steel and zinc that KEL sources from its longstanding suppliers. KEL's maximum orders are at a fixed price with volumes tied up for long periods; however, prices are decided for a small quantity to be supplied over two-to-three months, exposing the company to moderate price volatility risk. KEL hedges its raw material prices by having back-to-back stock for steel, and for zinc, it hedges on the London Metal Exchange at the time of order booking, leading to stability in its margins. In addition, backward integration with the rolling mill has effectively reduced the conversion time and reduced the volatility in the prices to some extent.

Working Capital Intensive Operations: KEL's business is working-capital intensive in nature; therefore, with its net working capital cycle (excludes payables covered by LC acceptances) elongated to 165 days in FY25 (FY24: 170 days; FY23: 220 days), despite an increase in the receivable days especially on uncertainties around duties announced by the US during 4QFY25, partially offset by a concurrent increase in creditors. The inventory days were 117 in FY25 (FY24: 108, FY23: 172), receivable days were 109 in FY25 (FY24: 86, FY23: 73) and creditor days (excluding LC acceptances) were 61 in FY25 (FY24: 25, FY23: 25). The inventory increased on account of limited clarity on US tariffs in 4QFY25, after reducing in FY24 mainly on account of a shorter conversion time for the solar products. Ind-Ra expects the inventory days to be stable in FY26 on account of maintaining raw materials to address the raw material fluctuations for its fixed price orders as the operations expand. The agency expects KEL's net working capital cycle to remain stable or shorten slightly in FY26. The receipt of pre-IPO money in January 2025 supported in sustaining the net working capital cycle despite growth in the scale of operations.

Liquidity

Adequate: The average utilisation of the fund-based limits was around 83% and that of the non-fund-based limits was around 72% over the 12 months ended April 2025, indicating sufficient liquidity cushion. Ind-Ra expects the use to have been on similar lines since then. The free cash flow turned negative in FY24 and continued to be negative in FY25 on account of incremental capital expenditure. KEL's has term loan repayment obligations of INR475 million and INR863 million in FY26 and FY27, respectively, which would be met through cash accruals, according to the management. The company has tied up debt for the ongoing capex and is in discussions with lenders for incremental long-term loans to fund the proposed capex.

Rating Sensitivities

Positive: The timely completion and ramp up of the ongoing capacity addition, resulting in a diversification of the product mix and geographies and supporting sustained growth in the scale of operations and EBITDA per tonne, an improvement in the working capital cycle, and the interest coverage ratio increasing above 4.5x on a sustained basis, will lead to a positive rating action.

Negative: Any delay in the completion of the ongoing capex or lower-than-Ind-Ra-expected profitability and EBITDA per tonne and/or a significant increase in the working capital cycle, leading to the interest coverage remaining below 3.5x on a sustained basis, could result in a negative rating action.

Any Other Information

KEL's standalone revenue grew to INR31,087 million in FY25 (FY24: INR24,033 million), led by an improvement in its sales volumes, particularly in the solar segment. The EBITDA increased to INR3,395 million in FY25 (FY24: INR2,593 million) on the back of an improved product mix with steady realisations and a shorter turnaround time with solar products.

About the Company

Incorporated in 1996, KEL manufactures solar tracker piles/piers, solar torque tube, solar structure, transmission line towers, wind tubular tower, high-quality mild steel fasteners, nuts and bolts, washers, antitheft nuts, hot rolled (high tensile and mild) structural steel, hardware and fittings and structures for holding power transmission conductors. It has manufacturing facilities In Tarapur and Nagpur in Maharashtra and in Bhuj (Gujarat).

Key Financial Indicators

Particulars - Consolidated	**FY25**	**FY24**
Revenue (INR million)	31,584	24,252
Operating EBITDA (INR million)	3,483	2,629
Operating EBITDA margin (%)	11.03	10.84
Interest coverage (x)	2.69	2.83
Net leverage (x) (including LC acceptances)	3.11	3.67
Source: KEL, Ind-Ra		

Particulars - Standalone	**FY25**	**FY24**
Revenue (INR million)	31,087	24,033
Operating EBITDA (INR million)	3,395	2,593
Operating EBITDA margin (%)	10.92	10.79
Interest coverage (x)	2.66	2.83
Net leverage (x) (including LC acceptances)	3.40	3.88
Source: KEL, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	**Current Rating**			**Historical Rating/Outlook**			
	Rating Type	**Rated Limits (INR million)**	**Rating**	**22 April 2024**	**23 October 2023**	**20October 2023**	**25 July 2022**
Issuer rating	Long-term	-	-	-	-	WD	IND A-/Stable
Term loan	Long-term	INR2,095.44	IND A+/Stable	IND A/Stable	IND A-/Negative (ISSUER NOT COOPERATING)	-	IND A-/Stable
Fund-based working capital facility	Long-term	INR4,500	IND A+/Stable	IND A/Stable	IND A-/Negative (ISSUER NOT COOPERATING)	-	IND A-/Stable
Non-fund-based working capital facility	Short-term	INR14,700	IND A1	IND A1	IND A2+ (ISSUER NOT COOPERATING)	-	IND A2+
Bank loans- unallocated	Long-term	INR3,024.56	IND A+/Stable	-	-	-	-

Bank wise Facilities Details

The details are as reported by the issuer as on (21 Jul 2025)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	Axis Bank Limited	Fund Based Working Capital Limit	650	IND A+/Stable
2	Bank of Baroda	Fund Based Working Capital Limit	950	IND A+/Stable
3	ICICI Bank	Fund Based Working Capital Limit	165	IND A+/Stable
4	IDBI Bank	Fund Based Working Capital Limit	200	IND A+/Stable
5	Punjab National Bank	Fund Based Working Capital Limit	360	IND A+/Stable
6	HDFC Bank Limited	Fund Based Working Capital Limit	490	IND A+/Stable
7	Punjab & Sind Bank	Fund Based Working Capital Limit	235	IND A+/Stable
8	Yes Bank Ltd	Fund Based Working Capital Limit	750	IND A+/Stable
9	State Bank of India	Fund Based Working Capital Limit	200	IND A+/Stable
10	Union Bank of India	Fund Based Working Capital Limit	500	IND A+/Stable
11	Axis Bank Limited	Non-Fund Based Working Capital Limit	950	IND A1
12	Bank of Baroda	Non-Fund Based Working Capital Limit	2020	IND A1
13	ICICI Bank	Non-Fund Based Working Capital Limit	500	IND A1
14	IDBI Bank	Non-Fund Based Working Capital Limit	800	IND A1
15	Yes Bank Ltd	Non-Fund Based Working Capital Limit	1750	IND A1
16	HDFC Bank Limited	Non-Fund Based Working Capital Limit	1510	IND A1

17	Punjab National Bank	Non-Fund Based Working Capital Limit	1990	IND A1
18	Punjab & Sind Bank	Non-Fund Based Working Capital Limit	1015	IND A1
19	State Bank of India	Non-Fund Based Working Capital Limit	1300	IND A1
20	Union Bank of India	Non-Fund Based Working Capital Limit	2865	IND A1
21	IndusInd Bank Limited	Term Loan	7.82	IND A+/Stable
22	DCB Bank	Term Loan	25.4	IND A+/Stable
23	HDFC Bank Limited	Term Loan	20.43	IND A+/Stable
24	RBL Bank	Term Loan	52.14	IND A+/Stable
25	Union Bank of India	Term Loan	13.48	IND A+/Stable
26	Tata Capital Limited	Term Loan	25.69	IND A+/Stable
27	Tata Capital Limited	Term Loan-equipment loan	550.48	IND A+/Stable
28	HDFC Bank Limited	Term Loan-equipment loan-	400	IND A+/Stable
29	HDFC Bank Limited	Term loan	1000	IND A+/Stable
30	NA	Bank loan- unallocated	3024.56	IND A+/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund-based working capital limits	Low
Non-fund-based working capital limits	Low
Term loans	Low
Bank loans-unallocated	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

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Evaluating Corporate Governance

Corporate Rating Methodology

The Rating Process

Short-Term Ratings Criteria for Non-Financial Corporates

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