

## Kerala Agro Machinery Corporation Limited

June 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	40.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+ and removed from Rating Watch with Developing Implications; Stable outlook assigned and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.00	CARE A4; ISSUER NOT COOPERATING*	Downgraded from CARE A4+ and removed from Rating Watch with Developing Implications and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Kerala Agro Machinery Corporation (KAMCO) Limited to monitor the ratings vide e-mail communications dated April 22, 2025, June 03, 2025, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating of KAMCO's bank facilities will now be denoted as **CARE BB; Stable/CARE A4; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.**

The ratings have been revised on account of non-availability of requisite information due to non-cooperation with CARE Ratings' efforts to undertake a review of the ratings outstanding. The ratings assigned to the bank facilities of KAMCO are constrained with decline in scale of operations with net losses over the past two years ended FY24 (refers to the period April 1 to March 31). Delay in finalizing subsidy schemes implemented by the Government for farm mechanizations in the states where KAMCO operates has caused a significant impact on the operations. The ratings are also constrained by the elongated operating cycle and competition from various unorganized and organized players.

The ratings, however, derive comfort from experienced management with Government of Kerala undertaking and long track record of operations, established dealer network and comfortable capital structure.

CARE Ratings (CARE) had earlier placed the ratings of KAMCO on 'Rating watch with developing implications' on account of the delay in filing of the audited financial results for the year ending FY23. Now the Rating watch is removed post filing of FY23 audited results.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on May 13, 2024, the following were the rating strengths and weaknesses (updated for the latest information available)

### Key weaknesses

#### Moderate financial performance during FY23 and FY24

The PBILDT margins of KAMCO are thin due to the assembling nature of operations and are also constrained by comparatively lower market price of the products amidst fixed overhead costs. During FY23(Audited), the operating income declined to Rs.106.50 crore, registering a drop of 51.15% over FY22. The drop in income is primarily attributed to delay in finalizing subsidy schemes implemented by the Government for farm mechanisations. The income marginally improved, however stood moderate at Rs.145.45 crore in FY24 (Provisional). The higher fixed overheads due to lower productivity led to the company reporting operating losses (loss before Interest, Depreciation and Tax) of Rs.25.63 crore and Rs.16.78 crore in FY23 and FY24 respectively.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

### **Elongated working capital cycle susceptible to subsidy-based collection method**

The working capital cycle of KAMCO is elongated with a high level of inventories and receivables, however improved to 277 days in FY24 against 440 days in FY23. The dealers sell the products of KAMCO to the farmers under subsidized prices for which they will be compensated by the Government. This subsidy collection was further impacted in last two years due to delayed finalization of Government schemes thus increasing the collection period from 217 days in FY22 to 471 days in FY23 albeit improved to 252 days in FY24 with a stringent credit policy for the dealers. The payment from dealers to KAMCO depends on the timely release of funds by the government towards various farm mechanization schemes.

### **Intense competition from various organised and unorganised players and seasonal nature of business**

KAMCO operates in a highly competitive environment consisting of many unorganized players, on account of low entry barriers and low capital requirement to set up operations of manufacturing agricultural implements. Furthermore, the company has competition from other established players as well. The company's major sales take place mainly in the second half of the financial year when crop harvesting is done in the north and central regions, which forms the majority of its sales thereby making its business operations seasonal in nature. Furthermore, the agro-based industry can be adversely affected by climatic conditions. The monsoon has a huge bearing on crop availability, which determines the demand for the products of KAMCO.

### **Key strengths**

#### **Experienced management team with funding support from parent**

KAMCO is 100% owned by the Government of Kerala (GoK) and has been in the business of agriculture machinery for over four decades. Shri C K Sasidharan is the chairman of KAMCO and has more than a decade of experience in the manufacturing of agricultural machinery. The management also consists of experienced directors appointed by the GoK. The GoK has infused Rs. 5.00 crore as interest free term loan in FY22 and Rs. 5.00 crore as grant in FY23 to fund the losses and other capital requirements.

#### **Long track record of operations in the field of agricultural equipment manufacturing**

KAMCO has around five decades of track record in manufacturing agricultural machinery and equipment. KAMCO currently has six manufacturing units with installed capacity for tillers of 14,700 units, reapers with 4,500 units and brush cutter with 1,500 unit per year. KAMCO has established relationships with small and medium-scale industries, which supply raw materials for critical components.

#### **Comfortable capital structure**

The capital structure of the company remained comfortable with an overall gearing of 0.29x as on March 31, 2024, against 0.27x as on March 31, 2023. KAMCO was debt free from inception till the end of FY21. The company started to avail working capital from the bank from FY22, and it does not have any long-term repayment obligations as on date. The company also receives periodic support from the GoK in the form of grants and interest-free loans which further solidifies their capital.

#### **Well-established dealer network**

KAMCO has a market presence throughout the country with the help of around 80 dealers. KAMCO generates the majority of its revenue from north and north-eastern states like Assam, West Bengal, Tripura, etc., which were well supported by their dealers. KAMCO also provides its products to the Government agencies present around the country. The top five customers of KAMCO contributed around 42.15% in FY24 (PY: 22.41%).

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

### **Applicable criteria**

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### **About the company and industry**

#### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Agricultural, Commercial & Construction Vehicles	Tractors

KAMCO was established in the year 1973 as a wholly owned subsidiary of Kerala Agro Industries Corporation Ltd. (KAIC), Trivandrum, a central government and state government joint venture, which promotes agro-based industries in Kerala by manufacturing farm equipment, machinery and implements required for mechanised farming. Subsequently, KAMCO became a separate GoK undertaking in 1986. At present, 100% stake of the company is held by GoK. KAMCO is involved in the manufacture of agricultural machinery, specifically power tillers and diesel engines. The head office and first manufacturing unit of KAMCO is located at Athani in Ernakulam District of Kerala. Currently, KAMCO has six manufacturing units in Kerala.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	217.92	106.47	145.45
PBILDT	1.31	-25.63	-16.78
PAT	0.49	-29.29	-20.94
Overall gearing (times)	0.19	0.27	0.29
Interest coverage (times)	6.55	NM	NM

A: Audited P: Provisional NM: Not meaningful; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	40.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Working Capital Limits		-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	40.00	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+ (RWD) (13-May-24)	1)CARE BB+; Stable; ISSUER NOT COOPERATING * (28-Mar-24) 2)CARE BBB-; Negative (28-Dec-23) 3)CARE BBB (RWD) (02-May-23)	1)CARE BBB; Stable (17-Jan-23)
2	Fund-based - ST-Working Capital Limits	ST	2.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4+ (RWD) (13-May-24)	1)CARE A4+; ISSUER NOT COOPERATING * (28-Mar-24) 2)CARE A3 (28-Dec-23) 3)CARE A3+ (RWD) (02-May-23)	1)CARE A3+ (17-Jan-23)

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term;

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Working Capital Limits	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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