

Mr. Rajeev Gupta
Executive Director (Finance)
KEI Industries Ltd
D-90, Okhla Industrial Area, Phase-1
New Delhi – 110020

February 11, 2019

Confidential

Dear Sir,

Corporate Governance Rating

On the basis of recent developments including operational and financial performance of your company for FY18 and 9MFY19 (UA), our Rating Committee has reviewed the following ratings:

Instrument	Rating ¹	Remarks
Corporate Governance Rating	CGR 3+ (Three Plus)	Reaffirmed

2. The rationale for this rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-1**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by February 12, 2019, we will proceed on the basis that you have no any comments to offer.

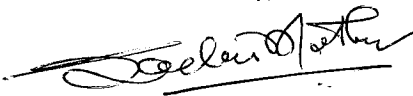
¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

3. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
4. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
5. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

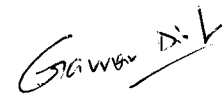
If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



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Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure -1 KEI Industries Ltd

Rating

	Ratings ¹	Remarks
Corporate Governance Rating	CGR 3+ (Three Plus)	Reaffirmed

Rating Rationale

The corporate governance rating of KEI Industries Ltd (KEI) continues to reflect the overall compliance with statutory and regulatory requirements, satisfactory Board composition and performance monitoring by the management, clearly identifiable ownership pattern with well-defined organization structure, extensive Management Information Systems (MIS) within the company and prudent disclosures to shareholders.

The rating continues to factor in the scope for higher disclosures and transparency, performance monitoring by the Board and timely compliance of various applicable secretarial laws and amendments from time to time.

Detailed description of the key rating drivers

Board composition and committees: KEI's Board of Directors consisted of nine members as on Dec 31, 2018, three Executive and six Non-executive Directors. All the directors on the board are well-qualified and eminent professionals with rich experience in business and expertise in their respective fields. The appointment of Mr. Sadhu Ram Bansal (appointed by BoD as Additional director on January 24, 2018) was ratified with shareholders' approval at the 26th AGM of the company. Also, the resolutions for re-appointment of Mrs. Archana Gupta as Director and of Mr. Anil Gupta as Chairman-cum-Managing Director (appointed by BoD on May 17, 2018) were approved at the AGM. KEI had six board committees.

Board functioning: There were seven Board Meetings held during the year ended March 31, 2018. The board meetings are generally held in Delhi, where the registered office of KEI is located. The company makes consistent efforts to acquaint the Board with the overall business performance. However, scope exists for increasing the level of participation of independent directors in formulation of business goals, policies and improving strategic oversight.

Ownership structure: KEI's shareholding structure is transparent, with major shareholders being clearly identifiable with the promoters holding 45.93% stake as on December 31, 2018. Private corporate bodies hold a small percentage of shares individually. There are no apparent cross holdings.

Organizational structure and management information systems: KEI has a clear organization structure with well-defined roles and responsibilities. The quality of MIS generated within the organization is commensurate with the size of the company. The Internal Auditor reports directly to the Audit Committee. KEI has also adopted a Code of Conduct for Directors and Senior Management which is available on www.kei-ind.com. Also, KEI has 'Whistle Blower Policy' in place for employees to report to the management concerns about unethical behavior, accrual or suspected fraud or violation of the company's code of conduct.

Shareholder relationship: KEI's Registrar and Share Transfer Agent (RTA) is M/s MAS Services Ltd. The company has an appropriate web site in place www.kei-ind.com with provision for receiving investors' response/feedback. KEI's website gives details of its corporate profile, Board of Directors, clients, financials

CARE Ratings Limited

¹ Complete definitions of the ratings (Formerly known as Credit Analysis & Research Limited) are available at www.careratings.com and in other CARE publications.

(Annual as well as Quarterly), and products range and has sufficient information for a shareholder or a prospective investor.

Adequate disclosure and transparency: KEI adheres to the accounting policies and practices as specified by the Institute of Chartered Accountants of India (ICAI). There have been no qualifications in the audit report related to accounts of FY18.

Financial prudence: During FY18, the total operating income of the company registered a growth of around 31% to reach Rs.3,468.10 crore (from Rs.2,638.19 crore in FY17) driven by both the EPC and retail segment: The PBILDT margin declined to 10.04% from 10.61% in FY18 because of the expansion phase which entails higher advertisement and operational overheads. However, the PAT margin improved from 3.56% in FY17 to 4.17% in FY18 on account of reduction in the average cost of borrowing following revision in interest rates by the consortium lenders. During 9MFY19, the company reported net profit of Rs.156.22 crore on total income of Rs.4,002 crore.

Statutory and regulatory compliance: KEI is overall compliant with regulations of SEBI (LODR), Regulations 2015 and other statutory and regulatory requirements. KEI is an ISO 9001:2000, ISO 9001:2008, OHSAS 18001:2007 and OHSAS 14001:2004 certified company.

About the Company

KEI was incorporated in 1968 as a partnership firm, Krishna Electrical Industries, with the prime business activity of manufacturing of cables and wires. In 1992, the firm became a public limited company under the name of KEI Industries Limited (KEI).

KEI is engaged in manufacturing wide variety of cables including low tension (LT), high tension (HT) & extra high voltage (EHV) power cables ranging from 66kV/ 110kV/132kV/ 220kV (expanded up to 400kV), control & instrumentation cables, rubber cables, winding wires and Stainless Steel (SS) wires. The company also has presence in Engineering Procurement and Contracting (EPC) and turnkey solutions segment for infrastructure projects. KEI is among the leading suppliers of cables to national & international EPC companies, PSUs & infrastructure sector and power companies in India. The cable segment has been the major contributor to revenues constituting around 54% of KEI's net sales in FY18; EPC division contributed around 25%, while SS wires and house wire division contributed the balance 21% in FY18.

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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**For detailed Rationale Report and subscription information, please contact us at www.careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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