

JULY 30, 2014

CARE ASSIGNS 'CARE A (SO)/CARE A1 (SO)' RATING TO THE BANK FACILITIES OF KAIL LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities – Term Loan@	55.02	CARE A (SO) [Single A (Structured Obligation)]	Assigned
Long-term Bank Facilities – Working capital@	275	CARE A (SO) [Single A (Structured Obligation)]	Assigned
Short-term Bank Facilities – Working Capital@	275	CARE A1 (SO) [A One (Structured Obligation)]	Assigned
Total Facilities	605.02		

@ All facilities (except term loan amounting to Rs.55.02 crore) are backed by an unconditional and irrevocable corporate guarantee by Videocon Industries Limited (VIL; rated 'CARE A/ CARE A1') and term loan facilities amounting to Rs.55.02 crore are co-obligated by Videocon Industries Limited.

Rating Rationale

The above rating is based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee extended by Videocon Industries Limited (VIL, Rated CARE 'A/ A1') for the bank facilities amounting to Rs.550 crore of KAIL Limited (KAIL). On invocation of the guarantee, the guarantor, VIL, will pay on demand, the amount due by KAIL to the lenders. The above rating is also based on the 'obligor co-obligor' structure on the term loan of Rs.55.02 crore which is co-obligated by VIL.

The detailed rationale of VIL is attached as Appendix

Going forward, continued support from the Videocon group and CARE's credit rating on VIL are the key rating sensitivities.

Background

Incorporated in 1995 as "Kitchen Appliances India Limited", KAIL Limited (KAIL) is a part of the Videocon Group. The flagship company of the group is Videocon Industries Limited (VIL) (rated 'CARE A/ CARE A1'). KAIL was established by the Videocon group to cater primarily to the eastern region wherein it has its own established dealer and distribution network to supplement Videocon group's presence within that region. KAIL acts as one of the captive production units for the Videocon group. KAIL sells small kitchen appliances like food processors, water purifiers, microwave ovens and air coolers etc. under the "Kenstar" brand and colour televisions and home entertainment systems under the "Sansui" brand through its own dealer and distribution network. The company has set up manufacturing facilities at Salt Lake and Taratola situated at Kolkata.

During the period ended June 30, 2013, reported a loss of Rs.46.62 crore on a total operating income of Rs.1,881.67 crore as compared with loss of Rs.36.94 crore on a total operating income of Rs.1,891.53 crore during the period ended June 30, 2012.

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