Elkitch Private Limited (Revised)

November 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	105.00	CARE BB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Elkitch Private Limited (EPL) is constrained by its nascent stage of operations, delayed commissioning of the project resulting in weak debt coverage metrics, low cash accruals as it is yet to stabilize operations and highly leveraged capital structure. However, it derives comfort from the long-standing experience of promoters, business vintage of the parent company in same line of business and operational linkages of the parent company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Successful commissioning of entire capacity without any significant cost and time overrun and acquiring new external OEM customers driving growth in sales.
- Improvement in credit profile of the parent.

Negative factors

- Lower than envisaged operational performance and cash flow from operations leading to any stretch in liquidity position.

Analytical approach: Standalone. Factoring in linkages to the parent, KCM Appliances.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will benefit from the strong operational linkages with parent company and experience of the promoters over the medium term.

Detailed description of the key rating drivers:

Key Weaknesses

Nascent stage of operations yet to achieve stable stage of operations

EPL is a wholly owned subsidiary of KCM Appliances Private Limited (KCM), formed as a backward integration for KCM. The project was planned in three phases. The project implementation was expected to start by April 2022 and commissioned by April 2023 but was delayed due to Covid related issues, and finally got commissioned in January 2024. Phase-2 implementation has been completed and is expected to start operations by November 2024. Phase 3 is being deferred presently. With Phase 1 being operational from January 2024, the company recorded a revenue of ₹ 2.6 Cr in FY24 and Rs. 11.37 Cr in 4MFY25.

Leveraged capital structure owing to debt funded capex and unsecured loans from promoters

EPL's capital structure is leveraged owing to the debt funded capex being undertaken. EPL saw an overrun in cost due to delays caused by covid related issues. The project was estimated to cost around ₹ 109.5 Cr for the first 2 phases but the actual cost stood at around ₹ 140 Cr, which was funded out of term loans from banks of ₹ 79 Cr and remaining being infused by promoters. However, promoter infusion has come in the form of unsecured loans of ₹ 60.52 Cr and ₹ 3.00 Cr as share capital as of FY24. The net worth of the company stood at ₹ -2.75 Cr as of Mar-24 (PY:₹ 2.97 Cr) owing to PAT losses of ₹-5.72 Cr in FY24, resulting in capital structure being highly leveraged marked by overall gearing of -52.73x as on 31st March 2024 (PY: 13.75x).

Weak debt coverage indicators owing to delay in stabilization of operations

Since there was a delay in commencement/ stabilization of operations, the company recorded an PBILDT level loss of ₹ -2.25 Cr in FY24. With total promoter infusion standing at ₹ 60.52 Cr as on FY24 end and bank loans amounting to ₹ 77.43 Cr as on March 31, 2024, coupled with an PBILDT level loss, the debt coverage indicators remain stretched as of FY24. The repayment of term loans taken for the project started in October 2023, before the commencement of commercial production in January 2024. The

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

parent company is supporting the company in case of any shortfall. The support is expected to continue till the operations of Phases 1 and 2 stabilise.

Key strengths

Strong operational linkages with Parent company which has an established market position

KCM Appliances, the parent of EPL, has been in the business of manufacturing of domestic appliances since 2006 with a vintage of around 18 years. KCM is engaged in similar line of business and houses brands namely Impex, Familia, Onix, and By-Logic with over 400 SKUs. KCM has a strong distribution network in South India, comprising over 100 regional partners and 5,000 retailers in southern states and also has 30 service centers in the state of Kerala. KCM has three manufacturing units - one in Kolar (Karnataka) and two in Kochi (Kerala). The company aims to consolidate all its manufacturing activity at one location which will be housed under Elkitch. Currently, the stainless steel, nonstick and Aluminum cookware is manufactured by EPL with 100% of sales going to KCM.

Experienced Promoters and long track record of operations

Nuvais Chenengadan, founder of KCM Appliances, has an experience of about 18 years in the electronic and home appliances industry. Before setting up KCM, Nuvais has experience of working in Lagnuvo Power Track, which was started by his father in 1998 and is into retailing of home UPS and batteries. Subsequently, Nuvais established KCM and set up his own brands in the name of "Impex" and "Onix" in the year 2010.

Liquidity: Stretched

The liquidity position of the company is stretched due to losses during nascent stage of operation. The term debt repayment already started in October 2023, before EPL became operational and repayment are being supported majorly by promoter infusion. The company's cash accruals are expected to be satisfactory to meet debt obligations from FY27. The company has a cash balance of Rs. 10.28 Cr in as on 31st March 2024. The average utilization of working capital limits stood at around 36.6% for 10 months ended July- 2024.

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Household Products	Household Products

Elkitch Private Limited (EPL) was established in FY23 and is a wholly owned subsidiary of KCM Appliances Private Limited (KCM). In FY23, KCM initiated a greenfield project aimed at consolidating its manufacturing operations at a single location and enhancing its production capacity and capabilities. The new manufacturing facility is housed under EPL. EPL started commercial production in January 2024 with Phase-1 becoming operational and Phase-2 is envisaged to achieve COD in November 2024. Elkitch currently manufactures stainless steel and aluminium cookware in Phase-1 and has achieved a revenue of around Rs. 11.37 Cr for 4M FY25.

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (UA)	4MFY25 (UA)
Total operating income	0.00	2.62	11.37
PBILDT	-0.03	-2.25	NA
PAT	-0.03	-5.72	NA
Overall gearing (times)	13.75	-52.73	NA
Interest coverage (times)	-	-1.43	NA

A: Audited UA: Unaudited; NA: Not available; 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		-	-	-	29.02	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	05-11-2032	75.98	CARE BB; Stable

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	75.98	CARE BB; Stable				
2	Fund-based - LT-Cash Credit	LT	29.02	CARE BB; Stable				

LT: Long 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 - LT-Term Loan	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 for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Sandeep P Director **CARE Ratings Limited** Phone: +91-44-2850 1002 E-mail: sandeep.prem@careedge.in
Relationship Contact Pradeep Kumar V Senior Director **CARE Ratings Limited** Phone: +9144-28501001 E-mail: pradeep.kumar@careedge.in	Ratheesh Kumar Associate Director **CARE Ratings Limited** Phone: +91-44-2850 1009 E-mail: ratheesh.kumar@careedge.in Aadarsh Gs Rating Analyst **CARE Ratings Limited** E-mail: Aadarsh.Gs@careedge.in

About us:
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