Kirloskar Electric Company Limited

March 19, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	38.00	CARE B+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	77.63	CARE A4; ISSUER NOT COOPERATING*	Rating 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

Kirloskar Electric Company Limited has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on Kirloskar Electric Company Limited's bank facilities will now be denoted as CARE B+/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 rating(s).

Ratings assigned to bank facilities of Kirloskar Electric Company Limited (KECL) continue to factor in improvement in the scale of operations of the company translating into generation of positive profit before interest, lease rentals, depreciation and taxation (PBILDT) margins from Q1FY23 onwards. KECL's ability to maintain satisfactory orderbook position and to remain profitable will continue to be key to its credit profile. CARE Ratings Limited (CARE Ratings) also takes note of the expected sale of the company's 31-acre land in Hubballi in the near term, which can help the company in reducing its debt levels while improving its liquidity. While ratings continue to factor in more than seven decades of the company's track record in the industry, they are constrained by its historical losses, which led to erosion of its net worth, full utilisation of its working capital limits with instances of overdrawal due to interest debit during past one year, low bargaining power, and exposure to volatility in the raw material prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly reducing external borrowings post sale of Hubli land leading to debt/profit before interest, depreciation and tax (PBIDT) of <3.0x.
- PBIDT margins above 5% while turning profitable at net basis on sustained basis.
- Improving liquidity.

Negative factors

- PBIDT level losses leading to the company's deteriorating liquidity

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings' expectation of sustainability of the scale of operations and profitability levels by the company in the near to medium term and further reduction in the debt levels by the company post the sale of Hubballi land .

Detailed description of key rating drivers:

At the time of last rating on April 02, 2024, the following were the rating weaknesses and strengths updated for FY23 (A) & FY24 (A) and 9MFY25(UA) financials as against earlier FY23 (UA) considered.

Key weaknesses

Negative net worth

The company's net worth remained at negative ₹216 crore as of March 2024 (negative ₹231 crore as of March 2023 and Negative Rs.257 crore as of March 31, 2022) due to losses, though showing improvement. Improvement in networth as at March 31, 2023, was primarily due to the profit on sale of Hubballi land in March 2022 that added to liquidity and the company continuously

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

registering EBITDA profits since Q2FY23, thereby adding accruals to net worth. Ramp-up in the scale of operations would be key for improvement in the company's financial risk profile.

High competitive market segment
The competition in electrical equipment industry has been increasing due to factors such as diversion of export-focused production capacity to cater to the domestic market on the back of upheaval in the advanced economies, import of cheaper equipment, especially from China and large number of smaller unorganised players in the industry. The stiff competition restricts the pricing flexibility and the product prices and in turn the company's profitability margins which continue to be under pressure.

Exposure to volatility in raw material prices
The major raw materials used by KECL are copper, iron, and steel, whose prices are highly volatile due to their global linkages. With raw material costs accounting for more than 70% of overall cost of production, the company's ability to pass on the price rise to its customers plays a crucial role in the overall profitability.

Key strengths

Improving the company's credit profile
In March 2022, the company had monetised 29.5 acres of land in Hubballi, Karnataka, from which it gained a profit of ₹98.20 crore, and a non-core asset at Hyderabad, from which it gained a profit of ₹2.98 crore. Majority of the same was utilised by the company towards clearing all its term loan dues to the lenders, and balance towards the company's working capital requirements. The company is further going to sell an additional 31 acres of land in Hubballi, which is expected to happen in FY25 as against envisaged earlier of FY24, the proceeds of which are expected to be utilised for reducing the remaining debt levels and towards the company's working capital requirements. The same would lead to saving in interest costs, reduction in dependence on customer advances for execution of its orders, and thereby higher execution of orders and improvement in the scale of operations and profitability**.**

Improvement in the scale of operations and profitability
With improvement in liquidity post monetisation of the non-core assets by the company in Q4FY22, it could expedite execution of its pending orders which translated into improvement in the company's scale of operations in FY24, with it registering 17.5% growth in the revenues to ₹557 crore from ₹474 crore in FY23, while turning profitable led by higher execution of orders. The company has turned profitable since Q1FY23 and has achieved profitability margin of 6.21% in FY24 as against PBILDT losses for the past 9 years from FY14 till FY22. CARE Ratings expects the same to be sustainable with envisaged improvement in the company's liquidity post monetisation of the additional 31 acres land in Hubballi in the near term, which in turn can help the company in reducing its dependency on customer advances for execution of orders, thereby sustaining its scale of operations.

Satisfactory orderbook position
The company's orderbook position continues to be satisfactory and stood at ₹259 crore as on October 1, 2024 (₹289 crore as on February 1, 2024). Also, due to established relationship with its customers, the company receives repeat orders, hence , providing stability to its revenues.

Expertise in power industry with established brand image
Established in 1946, KECL has a very long track record of operation of over 70 years in the field of motors and transformers. KECL has been managed by highly experienced professionals headed by Vijay Kirloskar (Chairman), who has more than 30 years of experience in the related field. KECL's products find application in wide range of industries such as power generation, mining, textiles, utilities, and paper among others, hence, having reputed clientele across the mentioned industries.

Liquidity: Stretched
The company's liquidity is stretched due to the historical losses and its dependence on customer advances and stretching of creditor payments for order's execution thereby limiting its bargaining power. WC limits are nearly fully utilised with multiple instances of overdrawals in past one year though are being regularised in less than 7 days. As on March 31, 2024, the company's cash and bank balances stood at ₹23 crore. Considering that the company plans to sell some of its non-core assets in the near term, its liquidity is expected to improve.

Applicable criteria
Definition of Default
Policy in respect of non-cooperation by issuers
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	Electrical Equipment	Other Electrical Equipment

Headquartered in Bengaluru, KECL was incorporated in 1946. In its past seven decades of existence, the company has established itself as one of the major players in the domestic electric equipment industry. KECL is engaged in manufacturing AC motors, DC motors, transformers, switchgear, and electronics through six manufacturing units. The company's day-to-day operations are looked after by Vijay Kirloskar (Chairman), who is adequately supported by a group of professionals having rich business experience.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	473.55	557.35	419.27
PBILDT	36.15	34.62	29.33
PAT	25.88	15.17	7.59
Overall gearing (times)	NM	NM	NA
Interest coverage (times)	1.69	1.41	NA

A: Audited UA: Unaudited NM: Not Meaningful 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	38.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	77.63	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 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-Cash Credit	LT	38.00	CARE B+; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (02-Apr-24)	-	1)CARE B+; Stable (28-Mar-23)	1)CARE C (25-Mar-22) 2)CARE D (05-Apr-21)
2	Non-fund-based - ST-BG/LC	ST	77.63	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (02-Apr-24)	-	1)CARE A4 (28-Mar-23)	1)CARE A4 (25-Mar-22) 2)CARE D (05-Apr-21)
3	Fixed Deposit	LT	-	-	-	-	-	1)Withdrawn (25-Mar-22) 2)CARE D (FD) (05-Apr-21)
4	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (28-Mar-23)	1)CARE D (25-Mar-22) 2)CARE D (05-Apr-21)

*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	Non-fund-based - ST-BG/LC	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

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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