

Kirloskar Chillers Private Limited (Revised)

September 26, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB+; Stable; (Triple B Plus; Outlook: Stable)
Short Term Bank Facilities	16.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A3+; (A Three Plus)
Total Bank Facilities	18.00 (₹ Eighteen Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated March 24, 2022, placed the ratings of Kirloskar Chillers Private Limited (KCPL) under the 'issuer non-cooperating' category as KCPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. KCPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a email dated September 06, 2022 and September 13, 2022. 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.

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

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status.

Detailed description of the key rating drivers

At the time of last rating on March 24, 2022, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key Rating Weaknesses

Capex for transfer of existing facility along with expansion in installed and storage capacity

Company undertook capital expenditure in phased manner started in FY20 for transfer of existing facility to new unit along with expansion in installed and storage capacity. The total cost of project is Rs 40 Crore which would be funded by a term loan of Rs 30.00 Crore and balance from internal accruals. Till March 2021 the Company has done capex of around Rs23.03 crores for purchases of land and construction of building. The existing facility is located at Saswad Pune Maharashtra which was taken on lease from Kirloskar Pneumatics Private limited. Further KCPL has purchased own land for new facility at Khandala, Satara Maharashtra.

Susceptibility of operating profitability to variable input costs

At an operating level raw-material cost constitutes the largest operating cost followed by employee cost. Company imports majority (60% of total raw material) of raw material from China and Europe. Further after the pandemic KCPL purchases its raw material from domestic market and very few from international market. As the prices of these products are volatile in nature, it exposes KCPL's profitability to any adverse movement in the prices, since KCPL's orders are fixed price in nature. Hence, being a net importer, KCPL is exposed to any adverse fluctuation in the currency movements since majority of the contracts of the company are on a fixed priced basis

Key Rating Strengths

Established track record of the company in the chiller manufacturing and experienced management

KCPL is currently managed by Mr. Avinash V. Manjul in the capacity of Managing Director (MD). He is a mechanical engineering graduate. Prior to KCPL, he was working as a Marketing Manager for HVAC projects in one of the group company-Kirloskar Pneumatic Company Limited. KCPL has a well-defined organization structure, and he is ably supported by qualified second tier management of the company heading various departments including – Mr. Milind Soni (GM Finance), Mr. Gaurang Dabholkar

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

(AVP – Marketing) and a total on roll workforce of 142 employees. The management team has more than two decades of experience in the chiller manufacturing industry and related works and looks after the overall management of the company. The promoters are backed by an experienced team who currently head various divisions in the company. Being in the industry for so long has helped the promoters in gaining adequate acumen about the industry.

Part of the renowned Pune based Kirloskar Group

KCPL is a part of the Pune based 125 years old Kirloskar group Spearheaded by Mr. Rahul Kirloskar in the strength of promoter. Kirloskar Pneumatic Company Limited (KPCL) is one of the shareholders holds 19.75% of share of KCPL. Kirloskar brand is held by one of the group company 'Kirloskar Proprietary Limited' and KCPL using 'Kirloskar' as a brand is liable to pay 0.25% of the sales turnover as a royalty. During FY20, KCPL has paid royalty to Kirloskar Proprietary Limited to the tune of Rs.0.26 crore. KCPL derives managerial, technical, and operational synergies, being part of Kirloskar group.

Financial risk profile marked by Stable scale of operations, improved profitability margin and comfortable solvency position

Total operating Income (TOI) of KCPL registered a y-o-y growth rate of 33% and stood at Rs.136.56 crore during FY22 as against Rs.102.32 crore during FY21. The profit margins of the company improved in FY22 with PBILDT & PAT margin at 16.34% and 11.22% respectively. Further, the capital structure of the company continues to remain comfortable with overall gearing ratio at 0.17x as on March 31, 2022. Moreover, the debt coverage indicators also remained comfortable as at the end of FY22.

Analytical approach: Standalone

Although standalone financials of KCPL have been considered, the ratings derive strength from being part of 125-year-old Kirloskar Group

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the company

KCPL is a part of the Pune based 125 years old Kirloskar group. KCPL is engaged in manufacturing various hydro-fluoro-carbon (HFC) air and water cooled chillers catering to both the industrial and commercial market out of its manufacturing plant (spread over 40,000 sq.ft) based out of Saswad, near Pune in Maharashtra. KCPL has AHRI (Air-conditioning, Heating and Refrigeration Institute) certification for its water-cooled screw and centrifugal chillers and AHRI certified test bed. The company manufactures chillers in the range of 40-ton refrigeration (TR) up- to 2400 TR. The head office of the company is based out of Pune

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23
Total operating income	102.32	136.56	NA
PBILDT	15.43	22.31	NA
PAT	9.71	15.32	NA
Overall gearing (times)	0.15	0.17	NA
Interest coverage (times)	15.05	50.33	NA

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	16.00	CARE A4+; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (24-Mar-22) 2)CARE A; Stable (06-Apr-21)	-	1)CARE A; Stable (02-Mar-20)
2	Non-fund-based - ST-BG/LC	ST	16.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3+; ISSUER NOT COOPERATING* (24-Mar-22) 2)CARE A1 (06-Apr-21)	-	1)CARE A1 (02-Mar-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities – Not applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us**Media contact**

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Ashish Kashalkar
Phone: 9890615061
E-mail: Ashish.Kashalkar@careedge.in

Relationship contact

Name: Aakash Jain
Phone: +91-20-4000 9090
E-mail: aakash.jain@careedge.in

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.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**