

KPT Industries Limited ^(Revised)
(Formerly known as Kulkarni Power Tools Limited)
October 14, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	18.77 (reduced from 22.75)	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)
Short term Bank Facilities	13.88 (reduced from 14.88)	CARE A4 (A Four)	Reaffirmed
Long/Short term bank facilities	12.00# (reduced from 10.00)	CARE BB; Stable/ CARE A4 (Double B; Outlook: Stable)/ (A Four)	Long Term rating revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)/ Short Term rating reaffirmed
Short term Bank Facilities	0.00 (reduced from 1.02)	-	Withdrawn
Total	44.65 (Rupees Forty Four crore Sixty five lakh only)		

Details of instruments/facilities in Annexure-1

#Change in nature of facility

Detailed Rationale & Key Rating Drivers

The revision in the ratings to the long-term bank facilities of KPT industries Limited (KPTIL, Formerly known as Kulkarni Power Tools Limited) factors in improvement in KPTIL's financials risk profile marked by growth in scale of operations coupled with stable profitability and improvement in capital structure and debt Protection metrics during FY19 (refers to April 1 to March 31)

The ratings continue to be constrained by working capital intensive nature of operations, vulnerability of profitability to volatility of raw material prices, fragmented & intense competition in the electric power tools industry.

The ratings continue to derive strength from experienced promoters and long operational track record of KPTIL over four decades in the electric power tools industry, diversified products portfolio and established distribution channels. The ratings further factor in addition of new product line with better margins.

The ability of KPTIL to improve its scale of operation, profitability and thereby improvement in debt coverage indicators along with effective management of working capital are the key rating sensitivities.

Detailed description of the key rating drivers**Key Rating strengths*****Experienced promoters with long established track record over three and half decade***

KPTIL is currently managed by Mr. P.A Kulkarni as (Vice chairman and Managing Director) having an experience more than four decades in manufacturing of electric power tools and looks after overall management of the company. The directors are ably supported by a team of qualified and experienced professionals.

Wide product portfolio

KPTIL operates under three business segments - Portable Power Tools, Blowers and Windmills. Beginning FY18, to further diversify its operations and to increase scale of operations KPTIL introduced E- Cart 'Pushpak' for carrying and dumping garbage. KPTIL has already executed an order for a Municipal Corporation Going forward the ability of the company to derive expected benefits from new product line is key rating monitorable.

Diversified supplier and customer base and long term association with reputed clients along with wide spread dealer network

^{1 2} Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications.

KPTIL procures its raw material from domestic (around 77.47% during FY19 of the total requirement) as well as overseas market. The top ten suppliers accounted for 10.20% of its total raw material procurement during FY19 (as against 40.28% of its total raw material procurement during FY18). In the domestic market, KPTIL's power tools products are sold through a distribution network of more than 456 dealers through a central depot.

Financial risk profile marked by improvement in scale of operations and stable profitability

Total operating Income (TOI) of KPTIL registered a y-o-y growth of 20.50% as compared with FY18 and stood at Rs. 106.46 crore during FY19 (as against Rs.88.34 crore during FY18) PBILDT margin slightly declined to 11.70% during FY19 as against 12.16% in FY18 mainly on account of higher raw material costs Further PAT margin improved to 3.35% during FY19 from 2.74% in FY18. GCA for the year FY19 stood at Rs. 5.92 crore (PY Rs. 5.25 crore).

In Q1FY20 (UA, refers to April 1 to June 30), the company has achieved a turnover of Rs.25.99 crore (P.Y.Rs.25.70 Crore) while the PBILDT margin and PAT margin stood at 11.77% and 2.91% (P.Y. 11.87% & 4.20%) respectively.

Moderate capital structure and debt protection metrics

Capital structure and debt coverage indicators have improved during FY19. Debt to equity stood comfortable at 0.84x (PY 0.90x), Overall gearing has improved and stood at 1.63x as on March 31, 2019 (PY 2.05x). The total debt to GCA improved at 6.82x vis-à-vis 8.31x as on March 31, 2019. Interest coverage for FY19 improved to 2.10x vis-à-vis 1.98x for the year FY18.

Key Rating weaknesses

Risk associated with volatility in raw material prices

The key raw material of KPTIL comprises of ferrous castings, steel, copper wire, non-ferrous castings which are generally procured from domestic market and overseas market in the proportion of 77:23 during FY19. Thus the company is sensitive to any adverse movement in prices of raw materials and ability of the company to pass on the same to its customers is limited with existing competition.

Intense competition from organized and unorganized players

KPTIL manufactures products and operates in an industry which comprises of several players in the unorganized sector and is also characterized by high degree of fragmentation.

Liquidity: Stretched

Liquidity is marked by tightly matched accruals to repayment obligations, highly utilized bank limits and low cash balance.

The operating cycle of KPTIL has stood at 143 days in FY19 as compared with 151 days in FY18. The average monthly utilization of working capital limits was seen at 96% for 12 months ended August 31, 2019. The cash balance as on March 31, 2019 stood at Rs.1.75 crore. The current ratio stood at 1.21 as on March 31, 2019. Efficient management of working capital cycle and improvement in liquidity position is a key rating sensitivity.

Analytical approach: Standalone

Applicable Criteria:

[Criteria on assigning 'outlook' and 'credit watch'](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[Financial Ratios-Non Financial Sector](#)

[Policy on Withdrawal of ratings](#)

About the Company

KPTIL was incorporated in 1976 as Kulkarni Black & Decker Limited, a joint venture (JV) between the Kulkarni family led by Mr. Prakash Kulkarni and Black & Decker, USA. During 1993, the entire stake of Black & Decker, USA, was acquired by the Kulkarni family and the name of the company was subsequently changed to Kulkarni Power Tools Limited. KPTIL operates in three business segments - portable power tools, blowers and windmills.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	Q1FY19(UA)	Q1FY20(UA)
Total operating income	88.34	106.46	25.70	25.99
PBILDT	10.74	12.46	3.08	3.06
PAT	1.09	3.57	1.09	0.76
Overall gearing (times)	2.05	1.63	-	-

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	Q1FY19(UA)	Q1FY20(UA)
Interest coverage (times)	1.98	2.10	-	-

A: Audited, UA: Unaudited

Status of non-cooperation with previous CRA: No

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2022	9.59	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	5.90	CARE BB; Stable
Fund-based - ST-Packing Credit in Indian rupee	-	-	-	1.48	CARE A4
Non-fund-based - ST-BG/LC	-	-	-	12.40	CARE A4
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	1.58	CARE BB; Stable
Fund-based - LT-Term Loan	-	-	-	1.70	CARE BB; Stable
Fund-based - LT/ ST-CC/Packing Credit	-	-	-	12.00	CARE BB; Stable / CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	9.59	CARE BB; Stable	-	1)CARE BB-; Stable (19-Sep-18)	1)CARE B+; Stable (22-Feb-18)	1)CARE B-; Stable (25-Jan-17)
2.	Fund-based - LT-Cash Credit	LT	5.90	CARE BB; Stable	-	1)CARE BB-; Stable (19-Sep-18)	1)CARE B+; Stable (22-Feb-18)	1)CARE B-; Stable (25-Jan-17)
3.	Fund-based - ST-Packing Credit in Indian rupee	ST	1.48	CARE A4	-	1)CARE A4 (19-Sep-18)	1)CARE A4 (22-Feb-18)	1)CARE A4 (25-Jan-17)
4.	Non-fund-based - ST-BG/LC	ST	12.40	CARE A4	-	1)CARE A4 (19-Sep-18)	1)CARE A4 (22-Feb-18)	1)CARE A4 (25-Jan-17)
5.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	-	-	-	1)CARE A4 (19-Sep-18)	1)CARE A4 (22-Feb-18)	1)CARE A4 (25-Jan-17)

6.	Fund-based - LT-Term Loan	-	-	-	-	-	-	1)CARE B-; Stable (25-Jan-17)
7.	Fund-based - LT-Term Loan	LT	1.58	CARE BB; Stable	-	1)CARE BB-; Stable (19-Sep-18)	1)CARE B+; Stable (22-Feb-18)	1)CARE B-; Stable (25-Jan-17)
8.	Fund-based - LT-Term Loan	LT	1.70	CARE BB; Stable	-	-	-	-
9.	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	12.00	CARE BB; Stable / CARE A4	-	-	-	-

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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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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