

November 24, 2015
CARE REVISES THE LT RATING AND REAFFIRMS THE ST RATING ASSIGNED TO THE BANK FACILITIES OF KULKARNI POWER TOOLS LIMITED
Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	30.96 (enhanced from 24.83)	CARE B (Single B)	Revised from CARE BB- (Double B Minus)
Short term Bank Facilities	16.48 (enhanced from 15.58)	CARE A4 (A four)	Reaffirmed
Total Facilities	47.44 (Rupees forty seven crore and forty four lakhs only)		

Rating Rationale

The revision in rating assigned to the long term bank facilities of Kulkarni Power Tools Limited (KPT) factors in deterioration in the financial profile during FY15 (refers to period from April 1 to March 31) as well as H1FY16 marked by decline in scale of operations, lower cash accruals leading to decline in profitability and consequent deterioration in the debt coverage indicators.

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

The ratings, however, derive strength from experienced promoters and long operational track record of KPT over three and half decades in electric power tools industry, diversified products portfolio and established distribution channels over 320 dealers across India.

The ability of KPT to improve its scale of operation, profitability margin along-with effective management of working capital are the key rating sensitivities.

Background

KPT 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. The company commenced commercial production in 1978 from its manufacturing facility located at Shirol, Kolhapur (Maharashtra) and. During 1993, the entire stake of Black & Decker, USA, was acquired by Kulkarni family and name of the company was subsequently changed to Kulkarni Power Tools Limited. KPT operates in three business segments - portable power tools, blowers and windmills and the shares of KPT are listed on the Bombay Stock Exchange (BSE). KPT has two divisions – power tools and blowers.

Majority of the revenue is contributed by the power tools division which is engaged in manufacturing of electric power tools such as drills, angle grinders, sanders, polishers, tile cutters, cut-off saws, valve master refacers and control motors etc. which find applications in variety of industries including construction, automobiles, railways, shipyards, bus-body building, fabrication work, housing and pipe laying for refineries. The power tools division contributed about 82.4% of total revenues during FY15. The power tool products are sold through a distribution network of more than 320 dealers and open market sales through with six leased depots located at Delhi, Kolkata, Chennai, Bangalore, Hyderabad and Ahmedabad. Furthermore, since October 2014, the company has also forayed into trading of power tool products under the brand name of 'Shakti' which it imports from China.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

KPT's blowers division contributed about 16.5% of total revenues during FY15 and is engaged in manufacturing of roots blowers which cater to variety of industries including bakery, petrochemical industry, sugar industry, cement industry, effluent treatment plant, sewage treatment plant, conveying systems, power plants, mining, agriculture and food processing plant, etc. The windmills division contributed about 1.1% of total revenues during FY15 and is engaged in generating wind energy with an installed capacity of 3.8 mn KWh per annum located at Dhule and Satara.

During FY15(Audited), KPT reported a total operating income of Rs.86.73 crore , PBILDT of Rs.6.92 crore and PAT of Rs.0.28 crore as against a total operating income of Rs.90.76 crore, PBILDT of Rs.7.41 crore and PAT of Rs.0.27 crore in FY14 (Audited). During H1FY16, KPT reported a total operating income of 28.91 crore , PBILDT of Rs 0.28 crore and net loss of Rs.3.66 crore as against a total operating income of Rs.42.57 crore, PBILDT of Rs.4.05 crore and PAT of Rs.0.25 crore in H1FY15.

Analyst Contact

Name: Ms Leena Marne

Tel: 020-4000 9019

Email: leena.marne@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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CONTACT**Head Office Mumbai****Mr. Sanjay Kumar Agarwal**

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU**Mr. Dinesh Sharma**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

CHANDIGARH**Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Saikat Roy**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

JAIPUR**Mr. Rakesh Jayaraman**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 - 76655 96136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

KOLKATA**Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI**Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE**Mr. Rahul Patni**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

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