

**Kilburn Engineering Limited**  
**July 24, 2019**

**Ratings**

Facilities*	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	120.00 (120.00)	<b>CARE B; Negative (Single B; Outlook: Negative)</b>	<b>Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)</b>
Long-term/Short-term Bank Facilities	75.00 (75.00)	<b>CARE B; Negative/ CARE A4 (Single B; Outlook: Negative / A Four)</b>	<b>Revised from CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable / A Four Plus)</b>
<b>Total facilities</b>	<b>195.00 (Rs. One hundred and ninety five crore only)</b>		

\*Details of facilities in Annexure-1

**Detailed Rationale & Key Rating Drivers**

The revision in ratings assigned to the bank facilities of Kilburn Engineering Limited (KEL) factors in the significant deterioration in the liquidity position and stressed financials of the Group companies belonging to the Williamson Magor Group, to which KEL has provided significant Inter Corporate Deposits (ICD's). Delay in recovery of the outstanding amount from the group companies is likely to further impact the debt coverage indicators of KEL.

However, the ratings continue to derive comfort from healthy standalone business performance of KEL. Ability of the company to sustain its business performance, recovery of ICD's from the group companies as well as successful refinancing of its debt repayment obligations due in the short-term, forms the key rating sensitivities.

**Outlook: Negative**

The outlook is revised to Negative from Stable on account of delay in refinancing of its debt repayment obligations due in the immediate short-term. The outlook may be revised to stable if KEL is able to successfully refinance its debt well within the timelines of its existing repayment obligations.

**Detailed description of the key rating drivers****Key Rating Weakness:****Significant exposure to group companies with stressed financial position**

During FY17, the KEL had availed loans from banks, supported by Letter of Comfort received from Mcleod Russel India Limited along with unconditional and irrevocable corporate guarantee provided by Williamson Financial Services Limited and Bishnauth Investments Limited. These funds were transferred as Inter Corporate Deposits (ICD's) to group companies - Babcock Borsig Limited (BBL), Williamson Financial Services Ltd. and Williamson Magor & Co. Limited (WMCL).

Owing to significant deterioration in the financial profile of the group companies to which KEL has significant financial exposure, has resulted into weakening of the debt coverage indicators of KEL.

**Resignation of Auditors**

Auditor had cited its reservations of group companies not adhering to repayment schedule of debt and erosion in networth of group companies. Also on 29<sup>th</sup> June 2019, the auditor has resigned due to reduction in fees proposed by KEL which leads to a change of terms of audit engagement as envisaged under Standard on Auditing 210 "Agreeing the Terms of Audit Engagement". New statutory auditors are appointed to fill the

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

casual vacancy subject to the approval of members of the company at coming 31<sup>st</sup> Annual general meeting. A change in auditor could limit the timely information.

#### Key Rating Strength:

##### ***Experienced track record in manufacturing customized process equipment***

KEL has over three decades of experience in manufacturing customised process equipment in various industries ranging from chemicals, petrochemicals, oil, gas, refineries, fertilisers, nuclear power plants and food processing industries covering tea, sugar, paddy and coconut.

The company has developed machinery for tea industry which is now used across the world. The company has also manufactured certain niche products such as Rotary Dryer for Carbon Black, Instrument and Utility gas drying System (IUGS), Soda ash Calciners.

#### Liquidity: Poor

The liquidity position of the company continues to remain poor owing to lower cash accruals as compared to the repayment obligations, mainly on account on non-recovery of ICD's from the group companies. Non recovery of the ICD's may constrain the ability of the company to repay is debt obligations on a timely basis.

**Analytical approach:** Standalone. CARE has removed the factoring linkages of the Williamson Magor Group built in the ratings of KEL due to weakened financial flexibility of major group companies. Deterioration in the financial profile of Mcleod Russel India Limited (LOC provider) and Williamson Financial Services Limited (Guarantee provider) has significantly reduced the financial flexibility at the group level.

#### Applicable Criteria:

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

#### About KEL:

Incorporated on September 7, 1987, Kilburn Engineering Limited (KEL) is a Williamson Magor Group Enterprise listed on Bombay Stock Exchange (BSE) and Calcutta Stock Exchange (CSE). KEL manufactures drying systems, pneumatic handling systems, heat exchangers, etc with specialized expertise in design, engineering, manufacturing and installation of drying systems for solids, liquids and gases. KEL caters to various industries ranging from Chemicals, Petrochemicals to Food, Oil & Gas, Refinery, Power Plants & Steel. KEL also provides services for erecting, commissioning and annual maintenance of the equipment manufactured.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (Abridged)
Total operating income	131.42	163.87
PBILDT	26.38	29.83
PAT	3.36	5.92
Overall gearing (times)	1.09	1.31
Interest coverage (times)	1.15	1.74

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**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-Cash Credit	-	-	-	25.00	CARE B; Negative
Non-fund-based - LT/ST-BG/LC	-	-	-	75.00	CARE B; Negative / CARE A4
Fund-based - LT-Term Loan	-	-	October 2019	95.00	CARE B; Negative

**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-Cash Credit	LT	25.00	CARE B; Negative	1)CARE BB+; Stable (02-Apr-19)	1)CARE BBB-; Stable (06-Apr-18)	1)CARE BBB-; Stable (13-Apr-17)	1)CARE BBB- (Under Credit Watch) (25-Apr-16)
2.	Non-fund-based - LT/ST-BG/LC	LT/ST	75.00	CARE B; Negative / CARE A4	1)CARE BB+; Stable / CARE A4+ (02-Apr-19)	1)CARE BBB-; Stable / CARE A3 (06-Apr-18)	1)CARE BBB-; Stable / CARE A3 (13-Apr-17)	1)CARE BBB- / CARE A3 (Under Credit Watch) (25-Apr-16)
3.	Fund-based - LT-Term Loan	LT	95.00	CARE B; Negative	1)CARE BB+; Stable (02-Apr-19)	1)CARE BBB-; Stable (06-Apr-18)	-	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**