

## Kirloskar Electric Company Limited

April 02, 2019

### Ratings

Instruments/Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Medium-term Instruments – Fixed Deposits	5.48	<b>CARE D (FD)</b> <b>[Single D; (Fixed Deposit)]</b>	Reaffirmed
Long-term Bank Facilities- Term loan	21.00	<b>CARE D</b> <b>(Single D)</b>	Reaffirmed
Long-term Bank Facilities- Cash credit	85.80	<b>CARE D</b> <b>(Single D)</b>	Reaffirmed
Short-term Bank Facilities	137.86	<b>CARE D</b> <b>(Single D)</b>	Reaffirmed
<b>Total</b>	<b>250.14</b> <b>(Rs. Two Hundred Fifty crore</b> <b>and Fourteen lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities and medium term instruments of Kirloskar Electric Company Limited (KECL) is on account of continuous delays in various facilities rated due to weak liquidity position and continuous losses due to poor performance by DG sets and transformers division associated with heavy competition in the electrical equipment industry.

Going forward, company's ability to monetize its planned non-core assets and repaying the debt obligations will be the key rating sensitivity.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### ***Delay in debt servicing coupled with weak liquidity position***

There are ongoing delays in the bank facilities due to the continuing liquidity issues faced by KECL. As per banker interaction, there are continuous delays in debt serving of bank facilities (instalment of term loans). As per audit report, there are ongoing delays in repayment of deposits during FY18. To meet the debt servicing obligations, KECL is planning to monetize its non-core assets. Recently KECL sold its corporate office in Rajaji Nagar to Brigade Enterprises limited for Rs. 55 Cr, out of which Rs. 45 Cr is utilized towards debt repayments and balance Rs. 10 crore towards statutory dues payments.

##### ***Weak financial risk profile attributed to continuous cash losses***

The company continued to make cash losses of Rs. 66.19 crore and Rs.54.67 crore in FY18 and 9MFY19 respectively due to poor performance by DG sets and transformers division associated with heavy competition in the electrical equipment industry. Due to cash losses in past 3 years eroded the company's net worth significantly to negative Rs. 103.5 Cr. However, company has order book position of Rs. 285.15 Cr as on Mar 13, 2019 which is expected to bring in the cash flows to the company upon execution. Earlier, KECL's German Subsidiary (Lloyd Dynamowerke GmbH & Co.KG [LDW])'s bankruptcy and impairment of investment had adversely affected the operations of the company in FY15.

**Analytical approach:** Standalone

### Applicable Criteria

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

[Rating Methodology: Factoring Linkages in Ratings](#)

[Financial ratios - Non-Financial sector](#)

### About the Company

Kirloskar Electric Company Limited (KECL) headquartered in Bangalore 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 of AC Motors, DC Motors, Transformers, Switchgear and Electronics through eight manufacturing units. The day to day operations of the company are looked after by Mr. Vijay Kirloskar (Chairman), who is adequately supported by a group of professionals having rich business experience.

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

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	596.34	387.62
PBILDT	14.20	-31.27
PAT	-27.38	-76.83
Overall gearing (times)	-12.16	-2.77
Interest coverage (times)	0.36	-0.88

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

**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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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.

**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	-	-	-	85.80	CARE D
Non-fund-based - ST-BG/LC	-	-	-	137.86	CARE D
Fund-based - LT-Term Loan	-	-	March 31, 2018	21.00	CARE D
Fixed Deposit	-	-	May 31, 2018	5.48	CARE D (FD)

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	85.80	CARE D	1)CARE D (03-Apr-18)	1)CARE D (16-Oct-17) 2)CARE B+; Stable (07-Apr-17)	1)CARE B+ (22-Apr-16)	-
2.	Non-fund-based - ST-BG/LC	ST	137.86	CARE D	1)CARE D (03-Apr-18)	1)CARE D (16-Oct-17) 2)CARE A4 (07-Apr-17)	1)CARE A4 (22-Apr-16)	-
3.	Fixed Deposit	LT	5.48	CARE D (FD)	1)CARE D (FD) (03-Apr-18)	1)CARE C (FD) (16-Oct-17) 2)CARE B+ (FD); Stable (07-Apr-17)	1)CARE B+ (FD) (22-Apr-16)	-
4.	Fund-based - LT-Term Loan	LT	21.00	CARE D	1)CARE D (03-Apr-18)	1)CARE C (16-Oct-17) 2)CARE B+; Stable (07-Apr-17)	1)CARE B+ (22-Apr-16)	-

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