

Kirloskar Electric Company Limited

April 03, 2018

Ratings

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|--|---|--|--------------------------------|
| Medium-term Instruments– Fixed Deposits | 5.48 (reduced from Rs.19 crore) | CARE D (FD) [Single D; (Fixed Deposit)] | Downgraded from CARE C (FD) |
| Long-term Bank Facilities– Term loan | 21.00 (reduced from Rs.27.15 crore) | CARE D (Single D) | Downgraded from CARE C |
| Long-term Bank Facilities– Cash credit | 85.80 | CARE D (Single D) | Reaffirmed |
| Short-term Bank Facilities | 137.86 | CARE D (Single D) | Reaffirmed |
| Total | 250.14 (Rupees Two hundred fifty crore and fourteen lacs only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating of bank facilities and Medium term instruments of Kirloskar Electric Company Limited (KECL) is on account of delays various facilities rated, due to weak liquidity position of KECL. The company continues to face challenging business environment and limited pricing power owing to intense competition in the industry During FY17, company managed its operation and debt servicing through raising equity from qualified institutional investors. However the company has not raised any equity in FY18 and has managed its liquidity through working capital management. Going forward, the ability of the company to turnaround its operations and timely debt servicing would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses:

Delays in debt servicing: There are delays in the various bank facilities and instruments due to the continuing liquidity issues faced by KECL. The tight liquidity position is due to challenging business environment resulting in delays in dispatch clearances and postponement of orders by customers, leading to overdrawals of working capital limits for more than 30 days and debt servicing.

Weak financial risk profile: KECL made cash losses of Rs.18.44 crore in FY17, which further increased to Rs.59.25 crore in 9MFY18. During FY17, KECL met its debt obligations majorly by raising equity from qualified institutional investors, recovering receivables from subsidiaries, and managing its working capital. In 9MFY18, KECL has not raised any additional equity/debt, and managed to liquidity through working capital management.

Analytical approach: Standalone

Applicable Criteria

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

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

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

[Short term instruments](#)

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

About the Company

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. Within the industry, the company has product lines across diverse segments of the industry namely rotating machines, static equipment, switchgears, transformers and transmission lines. Its products find application in wide range of industries and several market segments such as power generation, steel, cement, sugar, textile, mining, paper, petro-chemical plants, and public services such as railways and defense.

KECL is engaged in manufacturing of AC Motors, DC Motors, Transformers, Switchgear and Electronics through its 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.

| Brief Financials (Rs. crore) | FY16 (A) | FY17 (A) |
|------------------------------|----------|----------|
| Total operating income | 550.38 | 584.49 |
| PBILDT | -0.72 | 12.61 |
| PAT | -31.13 | -29.63 |
| Overall gearing (times) | 23.08 | 16.16 |
| Interest coverage (times) | -0.02 | 0.39 |

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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 |
| Fund-based - LT-Term Loan | - | - | March 31, 2018 | 21.00 | CARE D |
| Non-fund-based - ST-BG/LC | - | - | - | 137.86 | 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 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT-Cash Credit | LT | 85.80 | CARE D | 1)CARE D (16-Oct-17) 2)CARE B+; Stable (07-Apr-17) | 1)CARE B+ (22-Apr-16) | - | 1)CARE D (24-Dec-14) |
| 2. | Non-fund-based - ST-BG/LC | ST | 137.86 | CARE D | 1)CARE D (16-Oct-17) 2)CARE A4 (07-Apr-17) | 1)CARE A4 (22-Apr-16) | - | 1)CARE D (24-Dec-14) |
| 3. | Fixed Deposit | LT | 5.48 | CARE D (FD) | 1)CARE C (FD) (16-Oct-17) 2)CARE B+ (FD); Stable (07-Apr-17) | 1)CARE B+ (FD) (22-Apr-16) | - | 1)CARE C (16-Jan-15) |
| 4. | Fund-based - LT-Term Loan | LT | 21.00 | CARE D | 1)CARE C (16-Oct-17) 2)CARE B+; Stable (07-Apr-17) | 1)CARE B+ (22-Apr-16) | - | 1)CARE C (24-Dec-14) |

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