

Kirloskar Electric Company Limited

October 16, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Medium-term Instruments– Fixed Deposits	19.00	CARE C (FD); Stable [Single C (Fixed Deposit); Outlook: Stable]	Downgraded from CARE B+(FD)
Long-term Bank Facilities– Term loan	27.15	CARE C; Stable [Single C; Outlook: Stable]	Downgraded from CARE B+
Long-term Bank Facilities– Cash credit	85.80	CARE D (Single D)	Downgraded from CARE B+
Short-term Bank Facilities	137.86	CARE D (Single D)	Downgraded from CARE A4
Total Facilities	269.81 (Two hundred Sixty Nine crore and Eighty One lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in rating of the bank facilities & Medium term instruments of Kirloskar Electric Company Limited (KECL) is on account of letter of credit devolvments, and overdrawals in cash credit limits for more than 30 days, owing to liquidity issues faced by the company due to delays in dispatch clearances and postponement of orders by customers.

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in debt servicing by the company: The company is facing liquidity issues with weak cash accruals due to delays in dispatch clearances and postponement of orders by customers, leading to devolvement in letter of credit and overdrawals in cash credit limits.

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](#)

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.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	550.38	584.74

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

PBILDT	-0.72	12.67
PAT	-31.13	-29.63
Overall gearing (times)	23.08	15.03
Interest coverage (times)	-0.02	0.40

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
Non-fund-based - ST-BG/LC	-	-	-	137.86	CARE D
Fund-based - LT-Term Loan	-	-	March 31, 2018	27.15	CARE C; Stable
Fixed Deposit	-	-	March 31, 2018	19.00	CARE C (FD); Stable

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 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 A4 (07-Apr-17)	1)CARE A4 (22-Apr-16)	-	1)CARE D (24-Dec-14)
3.	Fixed Deposit	LT	19.00	CARE C (FD); Stable	1)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	27.15	CARE C; Stable	1)CARE B+; Stable (07-Apr-17)	1)CARE B+ (22-Apr-16)	-	1)CARE C (24-Dec-14)

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