Kulkarni Power Tools Limited

January 25, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	36.89 (enhanced from 30.96)	CARE B-; Stable (Single B minus; Outlook: Stable)	Revised from CARE B (Single B)
Short-term Bank Facilities	25.15 (enhanced from 16.48)	CARE A4 (A four)	Reaffirmed
Total Facilities	**62.04 (Rupees sixty two crore and four lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The revision in the rating assigned to the long-term bank facilities of Kulkarni Power Tools Limited (KPT) factors in continued deterioration in the financial risk profile during FY16 (refers to the period April 1 to March 31) as well as H1FY17 (refers to the period April 1 to September 30) due to decline in sales leading to lower cash accruals and decline in profitability and consequent deterioration in the debt coverage indicators.

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

The ratings continue to derive strength from experienced promoters and long operational track record of KPT over three and half decades in the 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 by diversifying product portfolio, profitability along-with effective management of working capital is the key rating sensitivities.

Detailed description of the key rating drivers

KPT operates in three business segments - portable power tools, blowers and windmills. Due to slowdown in the economy and competition from Chinese products, KPT has witnessed stress on demand for its products during FY16 especially in its power tools division. As a result, the total operating income of company registered de-growth of 24.02% during FY16 to Rs.65.05 crore as against Rs.85.62 crore during FY15. Due to decline in revenue, the company's PBILDT declined sharply to Rs.0.13 crore during FY16 as compared to Rs.8.27 crore during FY15.

Decline in operating margin coupled with high interest cost and depreciation led to KPT reporting net loss of Rs.7.16 crore during FY16 as compared to Profit After Tax (PAT) of Rs.0.28 crore during FY15. Furthermore, the company report loss of Rs.1.46 crore during H1FY17 as against loss of Rs. 3.84 crore during H1FY16.

Due to loss during FY16, the cash accruals have been lower vis-à-vis debt repayment resulting in the liquidity profile of the company being under stress. The long term debt to equity and overall gearing has deteriorated to 1.14x and 2.35x respectively as on March 31, 2016 (as against 0.63x and 1.14x respectively as on March 31, 2015) led by increase in term loan.

KPT is currently managed by Mr P A Kulkarni (Vice Chairman and Managing Director) having an experience of more than three and a half decades in the manufacturing of electric power tools and looks after overall management of the company. The operations of the company are managed by a team of qualified and experienced professionals.

The company's revenue is diversified across power tools, blowers and windmills having application in varied industries such as construction, automobiles, bus body building, bakery, petrochemical industry, sugar industry, cement industry, effluent treatment plant, sewage treatment plant, conveying systems, power plants etc.

KPT has a well-diversified and reputed customer base with revenues both from the domestic and exports market with exports to countries like Nigeria, Kenya, Jordan, Dubai, Tanzania, Saudi Arabia, Syria.

Analytical Approach: Standalone

Applicable Criteria

CARE's methodology for manufacturing companies

CARE's methodology for financial ratios- Non Financial Sector

Company 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. During 1993, the entire stake of Black & Decker, USA, was acquired by the

[2]*Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications.*

Kulkarni family and the name of the company was subsequently changed to Kulkarni Power Tools Limited. KPT operates in three business segments - portable power tools, blowers and windmills.

Status of non-cooperation with previous CRA: Not Applicable

Rating History (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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About CARE Ratings:

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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-Term Loan	-	-	September 2025	13.99	CARE B-; Stable
Fund-based - LT-Cash Credit	-	-	-	15.90	CARE B-; Stable
Fund-based - ST-Packing Credit in Indian rupee	-	-	-	2.48	CARE A4
Non-fund-based - ST-BG/LC	-	-	-	21.65	CARE A4
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	1.02	CARE A4
Fund-based - LT-Term Loan	-	-	April 2022	4.00	CARE B-; Stable
Fund-based - LT-Term Loan	-	-	April 2022	3.00	CARE B-; Stable

Annexure 2

Rating History for last three years :-

		Current Ratings			Chronology of Rating history			
Sr. No.	**Name of the Instrument/Bank Facilities**	**Type**	**Amount Outstanding (Rs. crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2016-2017**	**Date(s) & Rating(s) assigned in 2015-2016**	**Date(s) & Rating(s) assigned in 2014-2015**	**Date(s) & Rating(s) assigned in 2013-2014**
1.	Fund-based - LT-Term Loan	LT	13.99	CARE B-; Stable	-	1)CARE B (24-11-2015)	1)CARE BB- (30-12-2014)	-
2.	Fund-based - LT-Cash Credit	LT	15.90	CARE B-; Stable	-	1)CARE B (24-11-2015)	1)CARE BB- (30-12-2014)	-
3.	Fund-based - ST-Packing Credit in Indian rupee	ST	2.48	CARE A4	-	1)CARE A4 (24-11-2015)	1)CARE A4 (30-12-2014)	-
4.	Non-fund-based - ST-BG/LC	ST	21.65	CARE A4	-	1)CARE A4 (24-11-2015)	1)CARE A4 (30-12-2014)	-
5.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	1.02	CARE A4	-	1)CARE A4 (24-11-2015)	1)CARE A4 (30-12-2014)	-
6.	Fund-based - LT-Term Loan	LT	4.00	CARE B-; Stable				
7.	Fund-based - LT-Term Loan	LT	3.00	CARE B-; Stable				

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