Kulkarni Power Tools Limited

February 22, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long term Bank Facilities	36.33 (reduced from 36.89)	**CARE B+; Stable (Single B Plus; Outlook: Stable)**	Revised from CARE B-; Stable (Single B minus; Outlook: Stable)
Short term Bank Facilities	13.42 (reduced from 25.15)	**CARE A4 (A Four)**	Reaffirmed
Total	**49.75 (Rupees Forty Nine crore Seventy Five lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings to the long-term bank facilities of Kulkarni Power Tools Limited (KPT) factors in improvement in financial risk profile during FY17 (refers to the period April 01 to March 31) and 9MFY18 (refers to the period April 01 to December 31) marked by improved scale of operations and operating profitability.

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

The ratings continue to derive strength from experienced promoters and long operational track record of KPT over four decades in the electric power tools industry, diversified products portfolio and established distribution channels. The rating further factors in addition of new product line with better margins.

The ability of KPT to improve its scale of operation profitability and thereby improvement in debt coverage indicators along with effective management of working capital are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating strengths

Experienced promoters with long established track record over three and half decade

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

Wide product portfolio

KPT's operates under three business segments - Portable Power Tools, Blowers and Windmills. During FY18 to further diversify its operations and to increase scale of operations KPT introduced E- Cart 'Pushpak' for carrying and dumping garbage. Going forward the ability of the company to derive expected benefits from new product line is key rating monitorable.

Diversified supplier and customer base and long term association with reputed clients along with wide spread of dealer network

KPT's procures its raw material requirement from domestic as well as overseas market. The top ten suppliers accounted for only 32.11% of its total raw material procurement during FY17 (P.Y.: 33.30%).

---

[1] [2]*Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications.*

KPT has a well-diversified and reputed customer base with revenues both from the domestic and exports market. The export revenues constituted 11.62% of the total revenues in FY17 (P.Y.: 15.68%). Moreover, the top ten customers contributed to 23.57% of the total revenues in FY17.

Financial risk profile marked by improvement in scale of operations and operating profitability

TOI of the company during FY17 showed moderate growth of 5.46% as compared with FY16 and stood at Rs. 69.46 crore during FY17. PBILDT margin has improved from 0.19% in FY16 to 2.94% in FY17 led by substantial decline in material cost. However on account of heavy interest and depreciation costs, KPT booked net loss of Rs.0.11 crore in FY17 (P.Y.: net loss of Rs. 7.16 crore).

During 9MFY18, KPT achieved TOI of Rs. 62.30 crore with Y-o-Y growth of ~18.01%. PBILDT margin improved to 10.87% during 9MFY18 as against 6.23% in 9MFY17 mainly on account of introduction of new product line i.e. E-kart in Q2FY18. Further PAT margin improved to Rs. 0.80 crore i.e. 1.28% during 9MFY18 from loss of Rs. 2.76 crore in 9MFY17.

Key Rating weaknesses

Weak debt coverage indicators and capital structure

Capital structure and debt coverage indicators continued to remain weak during FY17. Overall gearing stood at 2.39x as on March 31, 2017 (P.Y.: 2.35x). The total debt to GCA stood at 11.64x at the end of FY17.

Risk associated with volatility in raw material prices.

The key raw material of KPT comprises of ferrous castings, steel, copper wire, non-ferrous castings which are generally procured from domestic market and overseas market in the proportion of 79:21 during FY17. Thus the company is sensitive to any adverse movement in prices of raw materials and ability of the company to pass on the same to its customers is limited with existing competition.

Intense competition from organized and unorganized players

KPT manufactures products and operates in an industry which comprises of several players in the unorganized sector and is also characterized by high degree of fragmentation.

Analytical approach: Standalone

Applicable Criteria:

Rating Methodology-Manufacturing Companies

Criteria on assigning Outlook to Credit Ratings

Criteria for Short Term Instruments

CARE's Policy on Default Recognition

Financial ratios- Non Financial Sector

About the Company

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 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.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	65.86	69.46
PBILDT	0.13	2.04
PAT	(7.16)	(0.11)
Overall gearing (times)	2.35	2.39
Interest coverage (times)	0.03	0.44

A: Audited

Status of non-cooperation with previous CRA: No

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.*

Analyst Contact:
Name : Ms Leena Marne
Tel : +91 7738003771
Mobile : 020-4000 9019
Email : leena.marne@carerating.com

****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-Term Loan	-	-	December 2022	15.30	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	-	-	-	12.40	CARE A4
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	1.02	CARE A4
Fund-based - LT-Term Loan	-	-	-	2.65	CARE B+; 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-Term Loan	LT	15.30	CARE B+; Stable	-	1)CARE B-; Stable (25-Jan-17)	1)CARE B (24-Nov-15)	1)CARE BB- (30-Dec-14)
2.	Fund-based - LT-Cash Credit	LT	15.90	CARE B+; Stable	-	1)CARE B-; Stable (25-Jan-17)	1)CARE B (24-Nov-15)	1)CARE BB- (30-Dec-14)
3.	Fund-based - ST-Packing Credit in Indian rupee	ST	2.48	CARE A4	-	1)CARE A4 (25-Jan-17)	1)CARE A4 (24-Nov-15)	1)CARE A4 (30-Dec-14)
4.	Non-fund-based - ST-BG/LC	ST	12.40	CARE A4	-	1)CARE A4 (25-Jan-17)	1)CARE A4 (24-Nov-15)	1)CARE A4 (30-Dec-14)
5.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	1.02	CARE A4	-	1)CARE A4 (25-Jan-17)	1)CARE A4 (24-Nov-15)	1)CARE A4 (30-Dec-14)
6.	Fund-based - LT-Term Loan	-	-	-	-	1)CARE B-; Stable (25-Jan-17)	-	-
7.	Fund-based - LT-Term Loan	LT	2.65	CARE B+; Stable	-	1)CARE B-; Stable (25-Jan-17)	-	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Ltd.)
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691