Kulkarni Power Tools Limited

September 19, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long term Bank Facilities	32.75	**CARE BB-; Stable (Double B Minus; Outlook: Stable)**	Revised from CARE B+; Stable (Single B plus; Outlook: Stable)
Short term Bank Facilities	15.90	**CARE A4 (A Four)**	Reaffirmed
Total	**48.65**		

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 FY18 (refers to the period April 01 to March 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.

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 ratings 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 40.28% of its total raw material procurement during FY18 (P.Y.: 32.11%). Moreover, the top ten customers contributed to 19.72% of the total revenues in FY18. (P.Y.:23.57%).

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

TOI of the company during FY18 showed a growth of 18.05% as compared with FY17 and stood at Rs. 88.34 crore during FY18. PBILDT margin has improved from 3.26% in FY17 to 12.16% in FY18 led by increased sale of e-karts. The company has booked a Net profit this year and the PAT margin stands at 2.74% as against a net loss of in FY17. In Q1 of FY19 the company achieved a turnover of Rs.25.70 crores while the PBILDT margin and PAT margin stood at 11.98% and 4.24% respectively.

Key Rating weaknesses

Weak debt coverage indicators and capital structure

Capital structure and debt coverage indicators have improved but continue to remain weak during FY18. Overall gearing stood at 2.05x as on March 31, 2018 (P.Y.: 2.18x). The total debt to GCA stood at 8.30x at the end of FY18.

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 77:23 during FY18. Thus the company is

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

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)	FY17 (A)	FY18 (A)
Total operating income	69.46	88.34
PBILDT	2.04	10.74
PAT	(0.11)	1.42
Overall gearing (times)	2.39	2.05
Interest coverage (times)	0.44	1.98

A: Audited

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and classified Kulkarni Power Tools Limited as “ISSUER NOT COOPERATING” vide its press release dated February 22,2018.

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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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	-	-	February,2022	14.59	CARE BB-; Stable
Fund-based - LT-Cash Credit	-	-	-	15.90	CARE BB-; 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	-	-	February,2021	2.26	CARE BB-; 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 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-Term Loan	LT	14.59	CARE BB-; Stable	-	1)CARE B+; Stable (22-Feb-18)	1)CARE B-; Stable (25-Jan-17)	1)CARE B (24-Nov-15)
2.	Fund-based - LT-Cash Credit	LT	15.90	CARE BB-; Stable	-	1)CARE B+; Stable (22-Feb-18)	1)CARE B-; Stable (25-Jan-17)	1)CARE B (24-Nov-15)
3.	Fund-based - ST-Packing Credit in Indian rupee	ST	2.48	CARE A4	-	1)CARE A4 (22-Feb-18)	1)CARE A4 (25-Jan-17)	1)CARE A4 (24-Nov-15)
4.	Non-fund-based - ST-BG/LC	ST	12.40	CARE A4	-	1)CARE A4 (22-Feb-18)	1)CARE A4 (25-Jan-17)	1)CARE A4 (24-Nov-15)
5.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	1.02	CARE A4	-	1)CARE A4 (22-Feb-18)	1)CARE A4 (25-Jan-17)	1)CARE A4 (24-Nov-15)
6.	Fund-based - LT-Term Loan	-	-	-	-	-	1)CARE B-; Stable (25-Jan-17)	-
7.	Fund-based - LT-Term Loan	LT	2.26	CARE BB-; Stable	-	1)CARE B+; Stable (22-Feb-18)	1)CARE B-; Stable (25-Jan-17)	-

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