Kirloskar Electric Company Ltd — 01 Jun 2026 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd. (CareEdge Ratings)
Rating Change	**CARE B+ → CARE B-** (Downgraded by 2 notches); Short Term **CARE A4** Reaffirmed
Outlook	**Stable** (Current) vs **Stable** (Previous)
Key Drivers of Change	1. **Issuer Non-Cooperation:** Repeated failure to provide data for monitoring despite multiple requests; leads to technical downgrade. 2. **Information Risk:** Downgrade reflects uncertainty; CARE cannot arrive at a "fair rating" without management interaction. 3. **Divergent PAT:** Despite Revenue growth, PAT fell to ₹10.77 Cr (FY26) from ₹17.24 Cr (FY25). 4. **Capital Structure:** Overall gearing remains "Not Meaningful" (NM), signaling a likely eroded net worth or unsustainable debt levels.
Rated Instruments	• **Long Term (Cash Credit):** ₹38.00 Cr
Key Observations	**Strengths:** • **Operational Recovery:** EBITDA (PBILDT) rose significantly to ₹48.12 Cr (FY26) from ₹17.98 Cr (FY25). • **Revenue Growth:** TOI increased ~10% YoY to ₹601.89 Cr. • **Coverage Improvement:** Interest coverage improved from a weak 0.78x to a safer 1.95x. • **Legacy Position:** 70-year track record in the domestic electric equipment industry. **Concerns:** • **INC Status:** Categorized as "Issuer Not Cooperating," a major red flag for transparency. • **Merger Complexity:** NCLT approved the merger of 4 subsidiaries (April 2026); impact on consolidated debt/synergies remains unverified.
Investor Impact	• **Growth:** Revenue momentum is positive, but PAT contraction suggests rising non-operating costs or tax adjustments. • **Leverage:** "NM" Gearing indicates high financial risk; potential for equity dilution if a capital infusion is needed to repair the balance sheet. • **Governance:** Non-cooperation with a rating agency often precedes liquidity stress or internal audit issues.
Agency / Cross Analysis	**Same Agency (CARE):** Ratings were previously downgraded to INC in March 2025. This further downgrade to B- (INC) in 2026 confirms a sustained breakdown in communication despite improved unaudited operational metrics (EBITDA/Revenue). **Conclusion:** Financial improvement is visible on paper, but the "Information Risk" outweighs the operational gains.
Final Inference	**High-Risk Recovery Play:** While core EBITDA and interest coverage are recovering, the "Issuer Not Cooperating" status and 2-notch downgrade signal a massive transparency gap. Equity investors should treat the unaudited financial "improvement" with extreme caution until management re-engages with lenders and credit agencies.