Kirloskar Electric Company Ltd — Rating update 2d Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	Reaffirmed at **CARE B- / CARE A4** (Issuer Not Cooperating) and **Withdrawn**.
Outlook (Current vs Previous)	**Stable** (Maintained until withdrawal).
Key Drivers of Change	1. **Negative Net Worth:** Capital structure remains leveraged due to accumulated losses and the merger of four loss-making subsidiaries (effective April 2024). 2. **Profitability Volatility:** PBILDT margin crashed from 6.03% (FY26) to **0.30% in Q1FY27**, resulting in a net loss of ₹5.95 Cr. 3. **Weak Debt Coverage:** Interest coverage plummeted from 1.39x in FY26 to a critical **0.06x in Q1FY27**. 4. **Stretched Liquidity:** High dependence on customer advances and stretching of creditor payments; bank limit utilization at ~70%.
Rated Instruments	• Fund-based - LT Cash Credit: ₹**0.00 Cr** (Withdrawn) • Non-fund-based - ST-BG/LC: ₹**0.00 Cr** (Withdrawn)
Key Observations	• **Strengths:** 70+ years of brand legacy in motors/transformers; established relationship with reputed clientele; moderate order book of ₹**184 Cr** (June 2026). • **Weaknesses:** Negative net worth base (NM Gearing); high TD/GCA of **12.24 years**; high finance costs consuming operating cash. • **Market Risks:** Intense competition from Chinese imports and unorganized players limiting pricing flexibility. • **Input Sensitivity:** Raw materials (copper, steel) exceed 70% of production costs, exposing margins to global price volatility.
Investor Impact	**High Risk:** The negative net worth and return to losses in Q1FY27 suggest severe equity erosion risk. Dividend prospects are non-existent; high leverage and stretched liquidity signal significant default risk and potential for further dilution if capital is raised to offset losses.
Agency / Cross Analysis	**Same Agency:** Rating reaffirmed at the "B-" (highly speculative) level before withdrawal. Since 2024, the rating has dropped from **B+ to B-**, reflecting a clear credit deterioration. The "Issuer Not Cooperating" status highlights a lack of transparent data sharing with the agency. **Conclusion: Deterioration.**
Final Inference	The withdrawal of ratings at a junk grade (B-) following a sharp Q1FY27 performance downturn is a major red flag. The company is operating with a depleted capital base and insufficient earnings to cover interest obligations, signaling potential insolvency risk.