

Kirloskar Electric Company Ltd — 19 Mar 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	B+ / A4 (Maintained but moved to ISSUER NOT COOPERATING)
Outlook (Current vs Previous)	Stable vs Stable
Key Drivers of Change	• Non-Compliance: Rating moved to 'INC' category due to non-payment of surveillance fees; signals transparency risk. • Operational Turnaround: Revenue grew 17.5% to ₹557.35 Cr (FY24); sustained PBILDT margins of 6.21% after 9 years of losses. • Asset Monetization: Pending sale of 31-acre Hubballi land (expected FY25) crucial for debt reduction and WC infusion. • Order Book: Satisfactory pipeline of ₹259 Cr (Oct 2024) provides near-term revenue visibility.
Rated Instruments	• Fund-based (Cash Credit): ₹38.00 Cr
Key Observations	• Strengths: 70-year brand legacy; reputed clientele; established expertise in motors/transformers. • Profitability: Turned PAT positive in FY23 & FY24 (₹15.17 Cr) due to higher order execution. • Solvency Risk: Net Worth remains deeply negative at -₹216 Cr (March 2024) due to historical losses. • Liquidity: Stretched; WC limits nearly 100% utilized with frequent overdrawals. • Cost Pressure: Raw materials (Copper, Steel) form >70% of costs; low bargaining power limits price pass-through.
Investor Impact	• Growth: Constrained by liquidity; dependent on customer advances for order execution. • Leverage: Gearing is "Not Meaningful" due to negative NW; land sale is the only clear deleveraging path. • Risk: INC status may restrict future bank funding/refinancing; high sensitivity to raw material volatility.
Agency / Cross Analysis	Same Agency (CARE): Ratings held at B+/A4 but flagged as INC. Compared to April 2024 review, financials (FY24/9MFY25) show steady operational recovery, but the land sale catalyst has been delayed from FY24 to FY25. • Conclusion: Administrative Deterioration. While operational metrics are improving, the failure to cooperate with the agency is a governance/liquidity red flag for equity holders.
Final Inference	Operational recovery vs. Compliance risk. While the business is finally generating profits and has a clear deleveraging catalyst (land sale), the "Issuer Not Cooperating" status and negative net worth make this a high-risk turnaround play.