

July 16, 2010

CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATINGS TO BANK FACILITIES OF KIRLOSKAR ELECTRIC CO LTD

Ratings assigned

Facilities	Amount (Rs. crore)	Rating¹	Remarks
Long-term Bank Facilities	106.74	'CARE BBB-' (Triple B Minus)	Assigned
Short-term Bank Facilities	250.00	'PR3' (PR Three)	Assigned
Total	356.74		

Rating Rationale

The above ratings draw strength from KECL's expertise in the power equipment for more than 50 years, well-established brand in India, strong marketing and service network as well as good end-market demand. The ratings are however, constrained by the company's low bargaining power in case of standardized products, decline in operational and financial performance in FY09, high working capital utilization, volatility in raw material prices as well as rescheduling of cumulative redeemable preference shares.

Success of new designs, increase in dealer network, improvement in profitability margins and generation of sufficient cash accruals will be the key rating sensitivities.

Company profile

KECL was promoted in 1946 by Mr. Ravindra L Kirloskar and is engaged in manufacturing electrical equipment such as AC/DC motors/alternators/generators, transformers, switchgear, traction equipment and diesel generator sets. KECL is also engaged in generation of electricity through wind energy.

KCL operates plants at Govenahalli (Karnataka), Hubli (Karnataka), Mysore (Karnataka), Tumkur (Karnataka), Pune (Maharashtra), Bangalore, Gurgaon (Haryana) and Dulagarh (Kolkata) for manufacturing the various electrical and electronic equipment. It also operates wind mills in Karnataka and Tamil Nadu.

In FY09, KECL earned PAT of Rs.30 cr on a total income of Rs.866 cr. In H1FY10, KECL registered PAT of Rs.25 cr on a total income of Rs.405 cr.

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CARE 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.

Disclaimer

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¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

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