



March 3, 2010

ICRA assigns LBBB rating to the bank facilities of Kilburn Engineering Limited

ICRA has assigned an LBBB (pronounced L Triple B) rating to the Rs. 652.5 million long term bank facilities of Kilburn Engineering Limited (KEL)[†]. The outlook of the assigned rating is stable. The long term facilities include Rs. 152.5 million fund based facilities and Rs. 500 million non fund based facilities.

The rating draws comfort from KEL's strong competitive position in the tea dryer segment, its diverse product portfolio of drying solutions for various industries, a well diversified and reputed client base and strong parentage of the Williamson Magor group. The rating also factors in KEL's significant cash balances and low gearing of 0.12 times as on 31st March 2009 on account of profit earned from the sale of land. The rating, however, is constrained by the decline in profitability of the company in the last two years, a moderate order book position, exposure to cyclicity in the industry and uncertainty over the company's future expansion plans.

About the company

Incorporated in 1987, KEL is promoted by the Williamson Magor Group. Currently, the Group holds a 56% equity stake in KEL. KEL undertakes the design and manufacturing of drying systems for various industries such as carbon black, chemicals, petrochemicals, fertilizers, steel, and food processing. The company has two main lines of products viz. process equipment dryers and food dryers with process equipment dryers accounting for more than 70% of the company's turnover. The company, which earlier had its manufacturing facilities at Bhandup in Mumbai, sold its Bhandup unit in FY2008 and is currently operating out of rented facilities in and around Mumbai. KEL is currently in the process of setting up a green field manufacturing facility in Kalyan near Mumbai which is expected to be commissioned by April 2011. The total project cost, which is expected to be around Rs. 550 million, is expected to be completely funded using internal accruals.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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