

July 25, 2023

## Kurlon Limited: Placed on Rating Watch with Developing Implications

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loan	18.35	18.35	[ICRA]A; Placed on Rating Watch with Developing Implications
<b>Total</b>	<b>18.35</b>	<b>18.35</b>	

\*Instrument details are provided in Annexure I

### Rationale

On July 17, 2023, acquisition of 94.66% stake in Kurlon Enterprises Limited (KEL) by Sheela Foam Limited (SFL) has been announced at an equity valuation of Rs. 2,150 crore, from Kurlon Limited (KL) and Kurlon Trading and Invest Management Private Limited (KTIMPL). Currently, KL has 88.47% stake in KEL and KTIMPL, which is 100% subsidiary of KL, has 6.19% of stake in KEL. The acquisition is expected to be completed by November 2023 subject to necessary approvals and meeting conditions precedent.

ICRA has placed the rating of KL at [ICRA]A outstanding on the Rs. 18.35-crore bank lines on Watch with Developing Implications, taking into account the aforesaid development, pending clarity on KL's strategy post the acquisition of KEL by SFL. At the consolidated level, KL has outstanding debt of ~Rs. 245 crore as on March 31, 2023, which is proposed to be paid using the receipts of the stake sale to SFL. ICRA will continue to monitor the developments and will take appropriate rating action as and when further details are available.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities, key financial indicators: [Click here.](#)

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology - Holding companies</a> <a href="#">Rating Methodology- Consolidation</a>
Parent/Group support	Not Applicable
Consolidation/Standalone*	For arriving at the ratings, ICRA has considered the consolidated financials of Kurlon Limited, Manipal Natural Private Limited (MNPL), Kurlon Enterprise Limited (along with its subsidiaries), Manipal Educational Foundation (MEF) and Kurlon Trading & Invest Management Private Limited (KTIMPL) given the managerial and financial linkages. Further, ICRA also notes that KL has extended corporate guarantee for debt availed by MNPL, MEF and KTIMPL.

\* Details are provided in Annexure II

### About the company

KL was incorporated in February 1962 as Karnataka Consumer Products Limited by Mr. T Ramesh U Pai. The name of the company was changed to Kurlon Ltd. in 1995. It manufactures rubberised coir, foam and spring mattresses, foam products and home furnishings through its subsidiary, KEL. The company's mattress and foam products business was transferred to KEL

through a business transfer agreement, effective from April 01, 2014. The Group has manufacturing facilities for rubberised coir in Yeswanthpur (Bangalore), Bhubaneswar and Gwalior, polyurethane foam manufacturing facility at Dabaspur (Karnataka), Roorkee (Uttarakhand) and Jhagadia (Gujarat), and spring manufacturing facility at Peenya (Bangalore), Jhagadia (Gujarat) and Bhubaneswar. KL currently holds 88.47% shareholding in KEL.

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Instrument	Type	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
		Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2023 (Rs. crore)	Date & Rating	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
				July 25, 2023	May 30, 2023	Feb 15, 2022	January 07, 2021	November 08, 2019
Term loan	Long-term	18.35	18.00	[ICRA] A; Rating Watch with Developing Implications	[ICRA] A (Negative)	[ICRA] A (Stable)	[ICRA] A (Stable)	[ICRA] A (Stable)
Unallocated	Long-term	0.00	-	-	-	[ICRA] A (Stable)	[ICRA] A (Stable)	[ICRA] A (Stable)

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	March 2022	-	FY2032	18.35	[ICRA]A; Rating Watch with Developing Implications

Source: Company data

#### Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Kurlon Enterprise Limited	88.47%	Full Consolidation
Manipal Natural Private Limited	100%	Full Consolidation
Manipal Educational Foundation	NA	Full Consolidation*
Kurlon Trading & Invest Management Private Limited	100%	Full Consolidation

\*Debt is guaranteed by KL

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