

July 08, 2024

Kurlon Enterprise Limited: Moved to Non-Cooperating category, Ratings downgraded based on best available information

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - CC	58.0	58.0	[ICRA]BB+ (Stable); "ISSUER NOT COOPERATING^"; Rating downgraded from [ICRA]A; "removed from rating watch with Developing implications and moved to "ISSUER NOT COOPERATING "category
Short-term – Non-fund based	15.0	15.0	[ICRA]A4+; "ISSUER NOT COOPERATING^"; Rating downgraded from [ICRA]A2+; "removed from rating watch with Developing implications and moved to "ISSUER NOT COOPERATING "category
Total	73.0	73.0	

*Instrument details are provided in Annexure-I

^Issuer did not cooperate; based on best available information

Rationale

ICRA has downgraded and moved the ratings for the bank facilities of Kurlon Enterprise Limited (KEL) in the 'Issuer Not Cooperating' category. The ratings are denoted as "[ICRA]BB+ (Stable)/[ICRA]A4+ ISSUER NOT COOPERATING".

The rating downgrade is because of lack of adequate information regarding KEL's performance and hence the uncertainty around its credit risk. ICRA assesses whether the information available about the entity is commensurate with its rating and reviews the same as per its "Policy in respect of non-cooperation by a rated entity" available at www.icra.in. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating, as it may not adequately reflect the credit risk profile of the entity, despite the downgrade.

As a part of its process and in accordance with its rating agreement with KEL, ICRA has been trying to seek information from the entity so as to monitor its performance. Despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information and in line with the aforesaid policy of ICRA, a rating view has been taken on the entity based on the best available information.

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

ICRA is unable to provide the latest information because of non-cooperation by the entity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Policy in respect of Non-cooperation by a rated entity
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered consolidated financials of Kurlon Enterprise Limited (along with its subsidiaries) and Kurlon Trading & Invest Management Private Limited (KTIMPL) as KEL's cashflows will be utilised to meet debt obligation of loan in KTIMPL.

About the company

KEL was incorporated in October 2011 as a 99.99% subsidiary of Kurlon Limited (KL). KL was incorporated in February 1962 as Karnataka Consumer Products Limited by Mr. T. Ramesh U. Pai. The company's name was changed to Kurlon Ltd. in 1995. In March 2014, KL signed a business transfer agreement with KEL, effective from April 01, 2014, to transfer the business division of mattress, foam, furniture and other products (including assets, liabilities, contracts and licenses) of the former, as a going concern, on a slump-sale basis to KEL. In consideration of the net assets taken over, KEL issued shares to KL. Under the agreement, all land and buildings were retained by KL and all plants and machinery (except the Gwalior plant) were transferred to KEL. The core operations of the mattress, foam and furniture business are now carried out by KEL, and all the products manufactured by KL (through the Gwalior plant) are sold to KEL.

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.

Kurlon Trading & Invest Management Private Limited (KTIMPL) is incorporated in May 2022 with a purpose of acquiring 6.19% stake held by Motilal Oswal Private Equity and IFC in KEL.

On October 20, 2023, Sheela Foam Ltd has informed BSE/NSE on completion of acquisition of Kurlon Enterprise Limited from Kanara Consumers Products Limited (earlier Kurlon Limited).

Key financial indicators

KEL (Consolidated)	FY2022	FY2023
Operating income (Rs. crore)	795.2	976.5
PAT (Rs. crore)	-5.6	-24.3
OPBDIT/OI (%)	2.4%	3.0%
PAT/OI (%)	-0.7%	-2.5%
Total outside liabilities/Tangible net worth (times)	0.6	1.1
Total Debt/OPBDIT (times)	0.4	6.1
Interest coverage (times)	3.4	1.3

Source: Company and ICRA Research; PAT: Profit After Tax, OPBDIT: Operating Profit Before Depreciation, Interest and Tax, OI: Operating Income

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years			
	Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
			July 08, 2024	July 25, 2024	May 31, 2024	-	Feb 15, 2022
Cash credit	Long-term	58.00	[ICRA] BB+ (Stable); ISSUER NOT COOPERATING	[ICRA] A; Rating Watch with Developing Implications	[ICRA] A (Stable)	-	[ICRA] A + (Stable)
Letter of credit	Short term	15.00	[ICRA] A4+ (Stable); ISSUER NOT COOPERATING	[ICRA]A2+; Rating Watch with Developing Implications	[ICRA]A2+	-	[ICRA] A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Short term – Non-fund based	Very 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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Cash credit	NA	NA	NA	58.0	[ICRA] BB+ (Stable); ISSUER NOT COOPERATING
-	Letter of credit	NA	NA	NA	15.0	[ICRA] A4+ (Stable); ISSUER NOT COOPERATING

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis: Not Applicable

Company Name	Ownership	Consolidation Approach
Kurlon Trading & Invest Management Private Limited	NA	Full Consolidation

Source: Company

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About ICRA Limited:

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For more information, visit www.icra.in

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Branches



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