

## KLR Industries Limited

Instrument	Amount In Rs Crore	Rating Action
Fund Based Limits	28.50	[ICRA]D (downgraded from [ICRA]C)
Non Fund Based Limits	12.50	[ICRA]D (downgraded from [ICRA]A4)

ICRA has downgraded the long-term rating assigned to the Rs. 28.50 crore fund based limits of KLR Industries Limited (KLRIL)<sup>1</sup> to [ICRA]D (pronounced ICRA D) from [ICRA]C (pronounced ICRA C). ICRA has also downgraded the short-term rating assigned to the Rs. 12.50 crore non-fund based limits of KLRIL to [ICRA]D from [ICRA]A4 (pronounced ICRA A four).

The downgrade in ratings reflects the company's inability to timely service its debt obligations owing to the stretched liquidity position arising from delayed receivables from international markets; significant share of export sales to African markets leading to geopolitical risks; and competitive industry characterized by a large number of small firms resulting in thin operating margins. The ratings are further constrained by the seasonality of its business which is vulnerable to climate changes; lack of formal hedging mechanism exposing profitability to volatility in the forex market; and thin profitability due to interest charges.

Going forward, the ability of the company to timely make debt repayments and effectively manage its working capital requirements remain the key credit rating drivers.

### Firm Profile

KLR Industries Limited (KLRIL) was initially established as a small unit—KLR Universal—by Mr. K. Laxma Reddy in 1985. KLR Universal was engaged in manufacturing button bits, a tool used in water well drilling applications, before being incorporated as KLR Industries Limited in January 2002. The company has a manufacturing facility at Cherlapally, Hyderabad. KLRIL is engaged in the business of manufacturing drilling equipments such as drilling rigs, hammers, and bits, for the application of water wells, mining, piling, geological survey, construction, etc.

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<sup>†</sup>For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



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