

## K.V. Tex Firm

January 13, 2023

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	30.70 (Enhanced from 23.73)	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
<b>Total Bank Facilities</b>	<b>30.70</b> <b>(₹Thirty Crore and Seventy Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The rating assigned to the bank facilities of K.V. Tex Firm factors in the improvement in revenues in FY 22 and 8M FY23 post reopening of the Pondicherry showroom. The rating, however, continues to be constrained by moderate scale of operation with high geographical concentration, leveraged Capital Structure, highly competitive textile retailing industry and partnership nature of constitution.

However, the rating derives strength from experience of promoters and long track of operation.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in Overall Sales to Rs. 350 Crores
- Sustained PBILDT Margin Above 8.00%

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration of capital structure with overall gearing above 4.00x

### Detailed description of the key rating drivers

#### Key Rating Weaknesses:

#### Geographic concentration and presence in competitive industry

KVT's income is concentrated in Cuddalore and Pondicherry region. The prospects of sales is highly dependent upon economic prospects of the region. During FY 22, the sales from Cuddalore region, and Pondicherry showrooms were Rs. 115.61 and Rs. 86.92 crores in FY22 respectively.

Textile retailing is a highly competitive industry with large presence of organised and unorganised players. The firm faces competition from both organised retailers and unorganized small retailers.

#### Leveraged Capital Structure and stretched debt protection metrics

The firm's capital structure is leveraged with an overall gearing stood at 2.16x as on March 31, 2022 as against 2.11x as on March 31, 2021. Besides, this the firm has availed debt to the tune of Rs. 18.86 crores in FY 2023 of which about Rs.13.5 crores have been availed for purchase of land in Kilambakkam, Guduvanchery, Chennai where the firm propose to construct a new showroom. However, the firm does not intend to go for immediate construction and it is likely the project may get extended by 1-2 years.

#### Constitution of the entity being a partnership firm

K.V. Tex has continued to remain a closely held partnership firm since inception. Also, capital withdrawal risk is associated with the partnership nature of the firm. The partners withdrew capital of Rs. 3.92 crores in FY22.

#### Key Rating Strengths:

#### Experienced promoters and long track of operations

The promoters have long experience in the textile retailing industry having been in this line of business since the inception of their first shop in Cuddalore during 1990. Subsequently, they established a larger showroom in Cuddalore in 2013 under newly incorporated K.V. Tex Firm. Mr. Venkateshwaran, managing partner, looks after the day to day operations of the textile showrooms. He is supported by other partners and their children for day to day operation.

#### Modest Scale of operation; However, Improvement is seen in FY22 and 8M FY23

The TOI grew by 30% in Fy22 and stood at Rs. 203.50 crore with reopening of Pondicherry showroom as well as increase in footfalls of both showrooms post covid. The Pondicherry showroom is currently fully operational having met the compliance

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

norms (regarding fire exit and car parking) as result sales has increased from Rs. 48.91 crores in FY21 to Rs. 86.92 crores in FY22. There was moderation in PBILDT margin from 9.54% in Fy21 to 6.75% is on account of higher operating cost with opening of Pondicherry showroom, besides the firm had rolled out various discount scheme to increase the customer footfall post covid. For 8M FY23, the firm had made sales of Rs. 151.96 crores.

### Liquidity: Stretched

Liquidity profile of the firm is stretched with cash accruals matching its repayment obligations of Rs. 9.26 crores in FY23. The credit period from suppliers has reduced from 83 days in FY 2021 to 57 days in FY 2022 (during covid the firm enjoyed extended credit period from suppliers). The sales are cash and carry basis, hence the collection period stands very low. KVT generally maintains inventory of two to three months. The average working capital utilization is around 85% for last twelve months ended in November 2022.

### Analytical approach: Standalone

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Retail](#)

[Service Sector Companies](#)

### About the Firm

K.V. Tex Firm (KVT) was incorporated in 2013 as a partnership firm by two brothers Mr Venkateshwaran and Mr Kannappan. The firm is engaged in textile retailing and it has two major showrooms in Cuddalore, Tamilnadu and Pondicherry with area of 26250 sq. ft. and 26300 sq. ft. respectively. The promoter brothers have experience in textile retailing since 1990.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	8M FY23 (Prov.)
Total operating income	155.95	203.50	151.96
PBILDT	14.87	13.74	NA
PAT	2.91	2.43	NA
Overall gearing (times)	2.11	2.16	NA
Interest coverage (times)	2.34	2.42	NA

A: Audited; Prov.: Provisional; NA : Not Available

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

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this firm:** Annexure-4

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	June 2028	30.70	CARE BB-; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (26-Nov-21)	1)CARE B+; Stable (05-Oct-20)	1)CARE B+; Stable (26-Aug-19)
2	Fund-based - LT-Term Loan	LT	30.70	CARE BB-; Stable	-	1)CARE BB-; Stable (26-Nov-21)	1)CARE B+; Stable (05-Oct-20)	1)CARE B+; Stable (26-Aug-19)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities – Not Applicable****Annexure-4: Complexity level of various instruments rated for this firm**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

**Annexure-5: Bank lender details for this firm**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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