

KTC Threads LLP

February 14, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	0.45	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B; Stable (Single B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	11.00	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B Minus ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE B; Stable / CARE A4 (Single B ; Outlook: Stable / A Four) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	11.45 (Rs. Eleven Crore and Forty-Five Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from KTC Threads LLP (KTC) to monitor the ratings vide e-mail communications/letters dated August 03, 2021, August 16, 2021, September 30, 2021, October 05, 2021, October 21, 2021, October 22, 2021, November 10, 2021, December 02, 2021, December 13, 2021, January 12, 2022, February 09, 2022 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of the best available information which however, in CARE Rating Limited's opinion is not sufficient to arrive at a fair rating. The rating on KTC's bank facilities will now be denoted as **CARE B-; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-availability of requisite information from KTC. The ratings assigned to the bank facilities of KTC continue to remain constrain on account of its modest scale of operations and profitability coupled with leveraged capital structure and weak debt coverage indicators as well as stretched liquidity with elongated operating cycle during FY20 (Audited, refers to period from April 1 to March 31). The ratings further remain constrained owing to susceptibility of its profitability to volatility in raw material prices and foreign exchange fluctuations along with its presence in highly fragmented and competitive textile industry. The ratings, however, continue to derive comfort from the vast experience of partners in textile industry and its strategic location within the cotton-producing belt of Gujarat

Detailed description of the key rating drivers

At the time of last rating on January 05, 2021, the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Declining scale of operations with dip in profitability

During FY20, KTC's total operating income declined by 18.981% y-o-y and remained modest at Rs.24.20 crore as compared to Rs.29.81 crore during FY19 owing to lower demand from customers during FY20 along with COVID-19 induced lockdown effect during FY20 end. Operating margin of KTC remained stable at 8.56% during FY20 as compared to 9.20% during FY19. Consequently, PAT margin of KTC also remained in line with previous year at 0.70% during FY20.

Leveraged capital structure and weak debt coverage indicators along with elongation in working capital cycle

Capital structure of KTC continued to remain leveraged marked by an overall gearing ratio of 5.98 times as on March 31, 2020 similar to previous year on account of KTC's comparatively high debt level as against modest net worth base as on March 31, 2020. The debt coverage indicators of KTC continued to remain weak owing to low GCA level during FY20 as against comparatively high debt level as on March 31, 2020. Total debt to GCA remained weak at 28.40 years as on March 31, 2020 [25.55 years as on March 31, 2019]. Interest coverage ratio of KTC continued to remain modest at 1.52 times during FY20 [1.45 times in FY19]. Operating cycle of KTC further elongated to 280 days during FY20 as against 212 days during FY19 on account of increase in collection as well as inventory period during FY20.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Susceptibility of profit margins to volatility in raw material prices and foreign exchange fluctuations along with presence in highly fragmented and competitive textile industry

KTC is engaged in the business of trading and processing of viscose yarn, for which it imports some of the raw materials and it does not involved in active foreign currency hedging, hence, KTC is exposed to foreign currency volatility risk. Also, the prices of the raw material for manufacturing yarn is market-driven and keep fluctuating in nature affecting the operating profit margin of KTC. Further, KTC operates in highly fragmented industry marked by presence of large number of organized and unorganized players, thus intensifying competition.

Key Rating Strengths

Experienced partners in the textile industry

KTC is promoted by four partners namely Mr. Vinod Khurana, Mr. Aditya Khurana, Ms. Alpi Khurana and Mr. Dayaprakash Khurana. All the partners are having vast experience in textile industry and all the partners are actively involved in day to day business operations of the firm.

Location advantage resulting in easy access of raw material

KTC's manufacturing facilities are located in Surat district of Gujarat. This place enjoys good road & rail connectivity leading to better lead time and facilitating delivery of finished products in a timely manner. The manufacturing unit is located near the raw material producing region, which ensures easy raw material access and smooth supply of raw materials at competitive prices and lower logistic expenditure.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Manufacturing Companies](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manmade Yarn Manufacturing](#)

About the Firm

Surat (Gujarat) based KTC is a limited liability partnership firm incorporated in 2011 by Mr. Vinod Khurana, Mr. Aditya Khurana, Ms. Alpi Khurana and Mr. Dayaprakash Khurana. The firm is engaged into the business of trading and processing of viscose yarn and manufacturing of knitted fabric. The firm procures viscose yarn from China which is subsequently dyed and sized at its processing plant into various commercial sizes as per the requirement of its customers. The firm also manufactures knitted fabrics, while the facility is located at Surat which is a textile hub of India with an installed capacity of 4800 meter per day as on March 31, 2020. The products processed and manufactured by the firm are used in the textile industry.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021	9MFY22
Total operating income	24.20	NA	NA
PBILDT	2.07		
PAT	0.17		
Overall gearing (times)	5.98		
Interest coverage (times)	1.52		

A: Audited, NA: Not Available

Status of non-cooperation with previous CRA: ICRA has suspended rating assigned to the bank facilities of KTC vide press release dated November 22, 2016 on account of non-cooperation by KTC with ICRA's efforts to undertake a review of the ratings outstanding.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Please refer Annexure-3

Complexity level of various instruments rated for this company: Please refer Annexure-4

Banker/Lender Details: Please refer Annexure-5

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	July 2022	0.45	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Cash Credit		-	-	-	11.00	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	0.45	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable (05-Jan-21)	1)CARE B; Stable (04-Dec-19)	1)CARE B+; Stable (31-Dec-18)
2	Fund-based - LT/ ST-Cash Credit	LT/ST*	11.00	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE B; Stable / CARE A4 (05-Jan-21)	1)CARE B; Stable / CARE A4 (04-Dec-19)	1)CARE B+; Stable / CARE A4 (31-Dec-18)

* Long Term / Short Term

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple

Annexure 5: Bank Lender Details for this Company

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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