

Kallam Textiles Limited

March 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	165.76	CARE D	Reaffirmed
Long-term / Short-term bank facilities	191.24	CARE D / CARE D	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings assigned to bank facilities of Kallam Textiles Limited (KTL) is on account of delays in debt servicing of the company due to downturn in the industry and poor demand both in domestic and exports market leading to weak financial profile.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely servicing of interest and principal repayment obligation coupled with a delay-free track record for a continuous period of more than 90 days.

Analytical approach: Standalone

Outlook: Not applicable

Detailed description of the key rating drivers:

Key weaknesses

Delaying of debt servicing

The company has made the disclosure of defaults on payment of interest / repayment of principal amount on loans from Indian Bank and Union Bank of India along with 9MFY24 results which were published on BSE on February 14, 2024. The company has not paid principal of ₹20.32 crore on the term loans. The banks have classified these loans as non-performing asset (NPA) and issued notices for recovery of these loans U/s13 (2) R.W.S 13(3) of SARFESAI Act, 2002. The company applied for restructuring of these loans and same is pending with banks.

Key strengths

Experienced management with long business track record

The Kallam group is engaged in the cotton ginning, pressing, weaving and other ancillary activities since 1956. Later, in 1992 the entire operations were transferred by incorporating separate entity Kallam Spinning Mills Limited (KSML), which is now known as Kallam Textiles Limited (KTL). KTL was promoted by Kallam Haranadha Reddy, and later it was handed over to its brother-in-law Poluri Venkateshwara Reddy in 2002. Currently, the company is managed by three key management personnel, Poluri Venkateshwara Reddy (MD), Gurram Venkata Krishna Reddy (CEO) and Movva Venkata Subba Reddy (Director and CFO). The current management of KTL, has experience of over three decades in the textile industry, and is well supported by experienced and qualified second line of middle management to run the daily operations of the company.

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

Integrated nature of business operations with diversified product base

KTL has a vertically integrated cotton processing capacity which includes ginning, spinning, weaving, dyeing, and processing activities. It has total roller of 28 nos (72,000 bales / Annum), which is of modern technology. The spinning activity includes a capacity of 59,280 ring spindles with a production capacity of 420 tons per month whereas the open-end division has a capacity of 500 tons per month. The company also deals in TFO (two for one) yarn which is the two staged process where the yarns are doubled and then twisted. This process involves twisting of two or more single yarns in order to enhance the properties of the end product such as strengthening the yarn. The group has around 17 TFO machines. It also does direct warping and sectional warping [also known as sizing].

Liquidity: Poor

The liquidity position of the company is poor on account of delays in receipt of receivables leading to cash flow mismatch resulting in delays in debt servicing.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Textiles	Textiles & Apparels	Other textile products

KTL formerly known as Kallam Spinning Mills Ltd is a listed company on Bombay Stock Exchange (BSE), which was established in 1992 with its registered office at Guntur, Andhra Pradesh. KTL is an integrated cotton textile unit, with its own ginning, ring spinning, open end spinning, weaving and dyeing divisions. The spinning mill is located at Guntur and the weaving division is located in Addanki (Mandal), Prakasam district. It produces various counts of yarn ranging from 20s to 80s.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	450.91	412.87	78.12
PBILDT	71.56	21.73	-4.11
PAT	11.81	-21.29	-11.17
Overall gearing (times)	3.15	3.54	N.A.
Interest coverage (times)	2.13	0.73	N.M.

A: Audited UA: Unaudited, N.A. Not available, N.M.: Not meaningful; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

Informerics has suspended rating assigned to bank facilities of KTL vide press release dated August 1, 2023, due to non-cooperation by KTL with Informerics' efforts to undertake a review of ratings outstanding.

Any other information: Not applicable

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

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

Complexity level of various instruments rated: Please refer to Annexure-4

Lender details: Please refer to Annexure-5

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		-	-	00/00/0000	165.76	CARE D
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	189.75	CARE D / CARE D
Non-fund-based-LT/ST		-	-	-	1.49	CARE D / CARE D

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 2023-2024	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
1	Fund-based - LT/ST-CC/PC/Bill Discounting	LT/ST	189.75	CARE D / CARE D	1)CARE D / CARE D (01-Aug-23) 2)CARE B+; Stable / CARE A4 (07-Jun-23)	1)CARE BB-; Stable / CARE A4 (12-Dec-22) 2)CARE BB-; Stable (05-Dec-22)	-	-
2	Fund-based - LT-Term Loan	LT	165.76	CARE D	1)CARE D (01-Aug-23) 2)CARE B+; Stable (07-Jun-23)	1)CARE BB-; Stable (12-Dec-22)	-	-
3	Non-fund-based-LT/ST	LT/ST	1.49	CARE D / CARE D	1)CARE D / CARE D (01-Aug-23) 2)CARE B+; Stable / CARE A4 (07-Jun-23)	1)CARE BB-; Stable / CARE A4 (12-Dec-22)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
3	Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

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

Annexure-6: List of all the entities consolidated: Not Applicable

Note on the 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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