

Kanhaiyalal Kalyanmal

April 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	10.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Revised from CARE BBB-; Stable / CARE A3 and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.00	CARE A4+; ISSUER NOT COOPERATING*	Revised from CARE A3 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Kanhaiyalal Kalyanmal (KLKM) to monitor the rating(s) vide e-mail communications dated March 02, 2024, February 26, 2024, February 8, 2024, February 6, 2024, February 5, 2024, February 1, 2024, Jan 24, 2024, Jan 17, 2024, September 06, 2023 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 rating based on the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on bank facilities of Kanhaiyalal Kalyanmal (KLKM) will now be denoted as "CARE BB+/CARE A4+; ISSUER NOT COOPERATING". Further, KLKM has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement.

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 rating has been revised on account of non-availability of the requisite information to conduct the review. The ratings continue to remain constraint on account of KLKM's modest scale of operations in a highly competitive and fragmented RMG industry, its constitution as a partnership firm, working capital intensive nature of operations, high geographical concentration risk and vulnerability of profitability margins to fluctuation in raw material prices & foreign exchange fluctuation. The ratings continue to derive strength from experienced partners coupled with its established operational track record of more than five decades in the Readymade garment (RMG) industry. The ratings, further, continue to derive strength from KLKM's low overall gearing, moderate debt coverage indicators and adequate liquidity.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that KLKM will continue to derive benefit from experience of its partners in the textile industry.

Detailed description of the key rating drivers:

Detailed description of the key rating drivers: At the time of last rating on February 10, 2023 the following were the rating strengths and weaknesses.

Key weaknesses

Constitution as a partnership firm

Exposure to inherent risk of withdrawal of the capital, lower compliance requirements, dissolution of the firm in case of death/insolvency of partners constrains the credit risk profile of partnership firms. Moreover, family partition has resulted in change of 3 partners, partial withdrawal of capital and conversion of balance as unsecured loans which is proposed to be paid off in the near term. Any further disproportionate withdrawal of partners' capital shall remain a key rating sensitivity.

Modest scale of operations in a highly competitive and fragmented RMG industry

KMKL operates on a modest base in a highly competitive RMG stitching segment characterised by low entry barriers, low investment requirements and low regulatory requirements. Consequently, the industry is highly fragmented which leads to stiff competition amongst the manufacturers. Geographical concentration also remains high as the firm exports its products to only one country i.e. Japan. During FY22, the firm reported Total Operating Income (TOI) of Rs.48.22 crore in FY22, as against Rs.44.34 crore in FY21. In 9MFY23, the firm has reported TOI of Rs. 41.24 crore.

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

Working capital intensive nature of operations

The business of the firm is seasonal in nature. The firm gets order in the month of August to October and ships these orders in during January to June. Consequently, inventory as well as debtors remains high on the balance sheet date. KMKL's operating cycle elongated to 274 days in FY22 as against 210 days in FY21 on account of increase in inventory holding period and decrease in average creditors days. These factors led to negative cashflow from operations in FY22.

Vulnerability of profitability margins to fluctuation in raw material prices & foreign exchange fluctuation

The profitability of the firm is vulnerable to any adverse movement in prices of key raw material such as grey and synthetic fabrics which have shown volatile trend in the past. Further, profitability of KLKM is also exposed to foreign currency fluctuation risk as it generates 100% revenue from exports, and it does not have any active hedging policy. During FY22, KLKM earned Rs.0.61 crore as foreign exchange gain as against Rs.0.09 crore in FY21.

Key strengths**Experienced partners coupled with well-established operational track record of KLKM of more than five decades in the RMG industry**

Established in 1969, KLKM is part of KK group which has presence in Hospitality, gems and jewellery, money lending etc. through other group entities. The overall affairs of the firm are looked after by Mr Om Prakash Mittal and Mr Gyan Prakash Mittal who have vast experience of more than four decades in the textile industry. The finance function is managed by Mr Pawan Sharma, Chartered Accountant by qualification, who is associated with the group for last 15 years. With long track record of operations and supply of quality products over the years, the partners of the firm have maintained relationship with its customers in international market which is reflected from the fact that KLKM has been exporting finished goods to around 90% of its client base for more than 25 years.

Comfortable solvency position and moderate debt coverage indicators

The solvency position of the firm remained moderate as the firm has no long-term debt obligation and major portion of the total debt comprises of unsecured loan from the partners and their relatives. During FY22, capital structure of the firm stood moderate with overall gearing improving to 0.86 times as on March 31, 2022, as against 0.57 times as on March 31, 2021, led by increase in unsecured loans from partners. Furthermore, debt coverage indicators stood moderate with total debt to GCA 3.93x as on March 31, 2022, as against 4.85x as on March 31, 2021 and interest coverage of 5.12 times as on March 31, 2022 as against 10.65 times as on March 31, 2021. During FY21, in order to alleviate the impact of covid-19, the partners had waived -off interest on Unsecured loans which led to lower interest expense in FY21.

Moderate profitability margins

KMKL's PBILDT margin declined by 158 bps y-o-y to 10.68% in FY22 on account of increase in processing and stitching cost. PAT margin, nevertheless, improved to 12.18% in FY22 (FY21:6.45%) owing to profit from sale of land of Rs. 2.73 crore. GCA also improved from Rs. 3.78 crore in FY21 to Rs. 6.64 crore in FY22.

Liquidity: Adequate

The liquidity of the firm is adequate with GCA levels of Rs.5-6 crore, no long-term debt repayment obligation and unutilised bank lines for meeting working capital requirements. Average utilization of fund-based limits stood at 35% for the trailing 12 months ended on November 2022. As on March 31, 2022, the firm had free cash and bank balances of Rs. 1.30 crore and mutual funds of Rs. 1.17 crore. (FY21: Rs. 2.69 crore). As on March 31, 2022 and September 30, 2022 debtors outstanding more than six months were zero.

Assumptions/Covenants: Not applicable**Environment, social, and governance (ESG) risks: Not applicable**

Applicable criteria

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[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	Garments & Apparels

Kanhaiyalal Kalyanmal (KLKM) is a flagship firm of Jaipur (Rajasthan) based K.K. Group, which was founded by two brothers, Mr. Kanhaiyalal Agarwal and Mr. Kalyanmal Agarwal. The firm is engaged in the business of manufacturing of synthetic and cotton mix ladies' readymade garments which it exports to Japan. During the current year, three partners existed the business (that is Sushil Mittal, Sunil Mittal and Urmila Mittal) and three partners have joined (that is Aditya Mittal, Siddhartha Mittal and Rohan Mittal).

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	December 31, 2022 (UA)
Total operating income	44.34	48.22	41.24
PBILDT	5.44	5.15	-
PAT	2.86	5.87	-
Overall gearing (times)	0.57	0.85	0.79
Interest coverage (times)	10.65	5.12	-

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL vide its press release in March 2023, has continued KLKM under "Issuer Not Cooperating" category.

Any other information: Not applicable

Rating history for last three years: Please refer 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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ ST-EPC/PSC		-	-	-	3.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-EPC/PSC		-	-	-	7.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Fund-based - ST-Line of Credit		-	-	-	2.00	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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-EPC/PSC	LT/ST	3.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable / CARE A3 (10-Feb-23)	1)CARE BBB-; Stable / CARE A3 (05-Jan-22)	1)CARE BBB-; Stable / CARE A3 (01-Dec-20)
2	Fund-based - LT/ ST-EPC/PSC	LT/ST	7.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable / CARE A3 (10-Feb-23)	1)CARE BBB-; Stable / CARE A3 (05-Jan-22)	1)CARE BBB-; Stable / CARE A3 (01-Dec-20)
3	Fund-based - ST-Line of Credit	ST	2.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (10-Feb-23)	1)CARE A3 (05-Jan-22)	1)CARE A3 (01-Dec-20)

*Issuer did not cooperate; based on best available information.

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/ ST-EPC/PSC	Simple
2	Fund-based - ST-Line of Credit	Simple

Annexure-5: Lender details

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

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.

Contact us

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About us:

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