

Kikani Exports Private Limited

December 16, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	119.38	CARE BB; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	165.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable / CARE A4+ 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 No Default Statements from Kikani Exports Private Limited (KEPL) to monitor the ratings vide e-mail communications dated November 07, 2024, December 10, 2024 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite No Default Statement for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on KEPL's bank facilities will now be denoted as **CARE BB; 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 ratings.

The revision in ratings assigned to the bank facilities of KEPL is on account of non-receipt of No Default Statement for the months of October 2024 and November 2024 despite repeated requests. moderate capital structure and debt protection metrics. The ratings continue to be constrained by moderate capital structure and debt protection metrics, exposure of operating margins to raw material price volatility and foreign currency fluctuations. The ratings however derive its strength from vast experience of the promoters, long operational track record of the company with geographically diversified clientele. The ratings also favourably consider the successful completion of large debt funded capex towards captive power during 9mFY24.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on March 05, 2024 the following were the rating strengths and weaknesses.

Key weaknesses

Moderate capital structure and debt coverage indicators

The capital structure moderated with overall gearing of 2.91x as on December 31, 2023 (2.59x as on March 31, 2023) as against 2.42x as on March 31, 2022, due to the increased working capital borrowings and incremental term loans availed for the solar project. The 4MW Hybrid solar wind commenced operation in June 2023 while the 9MW Solar plant commenced operation during August 2023. The total cost of the project was Rs.78.0 crore funded by term loans of Rs.52.3 crore and rest by accruals and cash balance. The debt protection metrics also moderated further with total debt to gross cash accruals at 12.81x as on March 31, 2023 (PY: 4.93x) on the account of reduced accruals. The capital structure is expected to remain moderate in near term despite no large capex planned going forward.

Moderate financial performance during FY23

The company witnessed a decline in financial performance during FY23 due to slowdown in export demand and also due to higher raw material prices. KEPL booked income of Rs.794.25 crore in FY23 (refers to period of April 01 to March 31) as against income of Rs.1161.10 crore in FY22, registering drop of 32%. The PBILDT margin also decreased from 6.74% in FY22 to 4.76% in FY23 due to volatile raw material prices. The company reported an total operating income of Rs.858.05 crore in 9mFY24 with PBILDT

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

margin of 5.36% in 9mFY24. The PBILDT margin is, however expected to improve on the back of benefits derived from the recently added solar capex.

Exposure to volatility of raw materials and forex rates

The profitability of textile mills depends largely on the prices of cotton and cotton yarn which are governed by various factors such as area under cultivation, monsoon, international demand-supply situation, etc. The movement in cotton prices without parallel movement in yarn prices impacts the profitability of the spinning and knitting mills. The cotton textile industry is inherently prone to volatility in cotton and yarn prices. Further, the profitability is exposed to fluctuations in exchange rates, though the risk is partially limited by some natural hedge through its foreign exchange denominated loans. The PBILDT margin of the company has been volatile in the range of 4.00-7.00% over the past three years ended FY23.

Key strengths

Vast experience of the promoters

KEPL was incorporated in the year 2000, promoted by Mr. Lalit Kumar Kikani. Mr. Lalit Kumar Kikani has more than four decades of experience in yarn trading. Currently, Mr. Vrajesh Kikani, son of Mr. Lalit Kumar Kikani, is taking care of the operations and management of KEPL. Mr. Vrajesh Kikani also has about two decades of experience in the textile industry.

Long track record of operations of the company with presence in both trading and manufacturing

KEPL has over two decades of operations in trading of cotton yarn of various counts to different export geographies. The company also ventured into its own manufacturing by putting up a spinning unit during FY14 and knitting unit in FY21. As on December 31, 2023, the company has installed capacity of 29,376 spindles and 86 knitting machines. The income from trading contributed 40% of total income during FY23 and increased to 55% in 9mFY24.

Diversified geographic presence and customer base

The company has diversified geographic presence in around 20 different countries including US, Europe, Egypt, Srilanka, etc. While all the traded yarn is exported, the produce from own manufacturing is sold domestically. The export sales account for 61.11% (PY: 68.49%) of total sales in FY23. The company has a diversified and reputed customer base with top 10 customers forming 57.15% (PY: 50.94%) of total sales in FY23.

Liquidity: Stretched

Liquidity is stretched marked by tightly matched accruals against its repayment obligations of Rs.22.87 crore in FY24. The cash balance as on March 31, 2023, stood at Rs.34.52 crore of which Rs.17.90 crore is marked lien to the bank borrowings. The working capital cycle stood moderate at 73 days in FY23 which increased from 50 days in FY22 due to elongated collection period. The average working capital utilization for past twelve months ended January 2024 stood high at 92%. The current ratio stood moderate at 1.16x as on March 31, 2023 (PY: 1.43x).

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

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

[Cotton Textile](#)

[Short Term Instruments](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Trading - Textile Products

Kikani Exports Private Limited (KEPL) was incorporated in March 2000. The company is into spinning, knitting and trading of cotton yarn and grey fabrics. KEPL has its manufacturing units located at Ahmedabad, Gujarat with installed capacity of 29,376 spindles and 86 knitting machines. KEPL trades yarn to various markets in the Far East, Middle East, Africa, Europe, China, South America etc. The sale of yarn contributes about 79% (PY: 86%) and sale of fabric contributes about 18% (PY: 12%) to total sales in FY23.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9mFY24 (UA)
Total operating income	1161.10	794.25	858.05
PBILDT	78.27	37.79	45.95
PAT	35.28	6.37	3.75
Overall gearing (times)	2.42	2.59	2.91
Interest coverage (times)	5.73	2.15	2.27

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: 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 and Rating Outlook
Fund-based - LT/ST-CC/Packing Credit		-	-	-	165.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*
Term Loan-Long Term		-	-	March 2030	119.38	CARE BB; Stable; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for 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 2024-2025	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
1	Term Loan-Long Term	LT	119.38	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (05-Mar-24)	1)CARE BB+; Stable (14-Feb-23)	-
2	Fund-based - LT/ ST-CC/Packing Credit	LT/ST	165.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (05-Mar-24)	1)CARE BB+; Stable / CARE A4+ (14-Feb-23)	-

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

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-CC/Packing Credit	Simple
2	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

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

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About us:

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