

## Komal Tefab Private Limited

December 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	15.00	CARE BBB; Stable / CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

For arriving at the ratings of Komal Tefab Private Limited (KTPL), CARE Ratings Limited (CARE Ratings) has considered a combined analytical view of the Komal Group (KG) entities viz. KTPL and Komal Worldwide Private Limited (KWPL) on account of common management and promoter group, presence in similar line of business, and operational and financial linkages.

The ratings assigned to the bank facilities of KTPL continues to derive strength from past experience of promoters with established track record of operations in the Textile industry coupled with synergies derived from operational linkages among group entities. The ratings further draw strength from adequate liquidity as well as comfortable capital structure and debt coverage indicators of the Komal Group.

The ratings, however, remain constrained on account of KG's moderate scale of operations and profitability, its presence in the highly fragmented and competitive textile industry, vulnerability of its profitability margins to fluctuations in the raw material prices and foreign exchange rates and regulatory risk with continuous compliance required with stringent pollution control norms.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in group's total operating income (TOI) to above ₹500 crore on a sustained basis along with profit before interest, lease, depreciation and tax (PBILDT) margin above 13%.
- Improvement in capital structure marked by overall gearing below 0.60 times.
- Sustained improvement in working capital cycle below 45 days.

#### Negative factors

- Decline in scale of operations to below Rs.250 crore or PBILDT margin below 8% on sustained basis.
- Any debt-funded capex or increase in working capital requirement resulting in deterioration in overall gearing to above 1.25 times.

### Analytical approach: Combined

CARE Ratings has considered combined financial and operational risk profile of KTPL and KWPL to arrive at the ratings of KTPL as both the entities are engaged in similar line of business, promoted by same promoter group, and have operational linkages.

Till last review, to arrive at the credit rating of KTPL, CARE Ratings had taken a combined approach of three entities including KTPL, KWPL and KTF Fashion Private Limited (KTF). During current review, CARE Ratings has revised its analytical approach and has not combined financial and operational risk profile of KTF Fashion Private Limited (KTF). The change in the analytical approach is on account of management's articulation of on-going family separation and no further operational / financial linkage with KTF.

### Outlook: Stable

Stable outlook reflects CARE Ratings' expectation that the group is likely to sustain its business risk profile due to vast experience of promoters, established clientele and integrated operations in the textile value chain.

### Detailed description of key rating drivers:

#### Key strengths

#### Vast experience of the promoters in textile industry and operational synergies with group entities

KG is promoted by the Bagrecha family and key promoters are Suresh Bagrecha and Vikram Bagrecha. Promoters hold more than three decades of experience in the textile industry. Second generation had also joined family business in 2002 and have around two decades of experience. The group has also launched 'Maysixty' brand and promotes it through online platforms like Amazon and Flipkart.

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

### **Established track record with integrated operations**

The Komal group, through KTPL has a long and established track record of operations of over three decades in the textile processing (dyeing and printing of fabric) industry; being operational since 1990. Further, the group also ventured into garmenting over the period via KWPL and hence, it has now vertically integrated facilities from fabric to garmenting.

KTPL is engaged in printing and dyeing of Cotton fabric as well as Manmade fabrics (MMF) mainly viscose and cotton Lycra. Furthermore, it also processes greige fabric as per customer requirement. This finished fabric is sold to KWPL as well as other players for garmenting. External clients formed 65-70% of KTPL's revenue.

KWPL is engaged in manufacturing i.e. cutting and stitching of women's garments. KWPL has its own cutting and stitching unit through which it manufactures garments and sells it to retail giants like pantaloons, Max, Reliance, Myntra, Jockey etc.

### **Comfortable capital structure and debt coverage indicators**

As on March 31, 2024, the capital structure of the group remained comfortable marked by overall gearing of 0.82x (0.88x as on March 31, 2023). The marginal improvement in overall gearing was on account of accretion of net profit to reserves and reclassification of USL to quasi equity. The net worth base of KG remained comfortable at Rs.134.61 crore.

The debt coverage indicators moderated however, remained comfortable marked by PBILDT Interest coverage of 3.17x and term debt/ GCA of 2.30x.

### **Key weaknesses**

#### **Moderate scale of operations and profitability**

KG's scale of operations continued to remain moderate in FY24 with TOI of Rs.357.88 crore as against Rs.369.19 crore in FY23. The decline in scale of operations was largely due to lower sales in KWPL due to lower demand. Group's PBILDT margin declined marginally by 18 bps and stood at 9.71% in FY24 as against 9.89% in FY23. Profitability was lower over the last two years from previous level of 13-14% due to volatility in raw material prices as well as increase in trading income in KWPL which fetches lower margin.

#### **Presence in a fragmented and cyclical textile processing industry**

The Indian textile industry is highly fragmented in nature with presence of large number of organized as well as unorganized players. Moreover, due to the fragmented nature of the fabric industry, the bargaining power of fabric manufacturers with raw material suppliers and customers are restricted which is also reflected in the low profit margins across the industry. Further, any adverse changes in the global economic outlook as well as demand-supply scenario in the domestic market directly impacts demand of the textile industry. Textile industry remain vulnerable to various factors such as fluctuations in prices of key raw materials, mobilization of workforce and changes in government policies for overall development of the textile industry. Any significant changes in such factors will have direct impact on the business operations of the entity.

#### **Susceptibility of its profitability to volatile raw material prices and foreign exchange fluctuation risk**

Komal group has a moderate presence in Textile value chain as it is vertically integrated from fabric to garmenting unit. Fabrics is produced from either cotton yarn, or Man-made fabrics. Cotton yarn prices have now moderated after being skyrocketed in the past couple of years resulting in thin profitability. Man made fabrics is a derivative of crude oil; hence prices of its raw material vary with the fluctuations in international crude oil prices. Other raw material consists of coal and dyes/pigments which are being used in processing of fabrics. Historically, the coal price has remained volatile due to its strong linkages to global demand-supply scenario. Further, textile is a cyclical industry and closely follows the macroeconomic business cycles. Hence, any shift in macroeconomic environment globally would also have an impact on the domestic textile industry. Furthermore, group is also engaged in exports which exposes them on foreign exchange fluctuation risk. Currently, group is not hedging its exposure.

#### **Regulatory risk associated with continuous compliance with stringent pollution-control norms**

The textile processing units use various chemicals for dyeing and printing process, which generate polluted water and needs to be treated before its disposal. Hence, textile processing units require continuous compliance with the stringent pollution-control norms set by the regulatory authorities and any violation in compliance with these norms or any further strengthening of these norms may adversely impact KG's operations.

#### **Liquidity: Adequate**

The group's liquidity position remained adequate marked by sufficient GCA of ₹21.28 crore in FY24 as against debt repayment obligation of around ₹17.75 crore in FY25. The average utilization of its fund-based working capital (WC) limits was also moderate at around 65% during the trailing 12 months ended in September 2024. The operating cycle elongated to 106 days in FY24 from 73 days in FY23 mainly due to the decline in creditors days as KTPL receives cash discounts on early payment to suppliers. KG had free cash and bank balance of Rs.8.12 crore as on March 31, 2024. Furthermore, KG had receivable of ~₹14 crore outstanding for more than six months as on FY24 end. Out of this, majority is outstanding from the Future group.

## Applicable criteria

[Consolidation](#)
[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](#)
[Manmade Yarn-Methodology](#)

## About the company and industry

### Industry classification

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

Ahmedabad (Gujarat) based KTPL was incorporated in August 1990 by Bagrecha family. KTPL belongs to "Komal" Group (KG) and is engaged in printing and dyeing of Cotton fabrics as well as Manmade fabrics (MMF) mainly viscose and cotton Lycra. KTPL procures its raw material i.e., grey fabrics from domestic manufacturers and caters to its in-house demand and also sells it in domestic and export market. As on March 31, 2024, KTPL had fabric processing capacity of 96 lakh KG per annum.

KG also includes Komal Worldwide Private Limited (KWPL) which is engaged in manufacturing of garments.

Brief Financials (₹ crore)	Combined			Standalone		
	March 31, 2023 (UA)	March 31, 2024 (UA)	H1FY25 (UA)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	369.19	357.89	200.00	282.96	285.01	161.25
PBILDT	36.50	34.73	NA	21.22	19.95	NA
PAT	12.36	11.95	NA	6.51	5.63	NA
Overall gearing (times)	0.88	0.82	NA	0.57	0.66	NA
Interest coverage (times)	3.55	3.17	NA	3.86	3.10	NA

A: Audited UA: Unaudited NA: Not Available; 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-Cash Credit		-	-	-	15.00	CARE BBB; Stable / CARE A3+

**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	Fund-based - LT/ST-Cash Credit	LT/ST	15.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (05-Dec-23) 2)CARE BBB; Stable / CARE A3+ (06-Apr-23)	-	1)CARE BBB; Stable / CARE A3+ (04-Mar-22)

LT: Long term; ST: Short 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-Cash Credit	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](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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