Khosla Profil Private Limited

March 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	49.16 (Enhanced from 34.28)	CARE BBB+; Stable	Reaffirmed
Short-term bank facilities	76.00 (Reduced from 96.00)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings reflect the stable operating and financial performances of Khosla Profil Private Limited (KPPL) in FY24 (refers to April 01 to March 31) and H1 FY25, despite industry-wide demand headwinds, and CARE Ratings Limited's (CARE Ratings') expectations of sustained performance in the coming years aided by its established customer base, value-added product portfolio, and expected recovery in demand in major export markets. KPPL's operating income moderated by ~11% YoY to ₹275 crore in FY24 (PY: ₹310 crore) considering muted volume growth restricting the capacity utilisation to 56% in FY24 and moderation in average realisations in the light of correction in input prices. However, the company's backward integrated operations from fabric manufacturing to finished products continues to support healthy profitability with ~200 bps YoY improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin to 21.49% in FY24. In H1 FY25, KPPL recorded a turnover of ₹132 crore and operating margin of 18.72% and is expected to report operating income in the range of ₹280-310 crore p.a. over the next 2-3 years with PBILDT margin sustaining ~20%. While reaffirming ratings, CARE Ratings notes that KPPL's promoters have plans to invest in yarn spinning for backward integration and product diversification over the near-to-medium term. Any significant investment towards such venture including incremental borrowing debt availed and/or extension of corporate guarantees may impact the credit metrics and liquidity of the company and remain a key monitorable.

Ratings continue to factor in KPPL's adequate capital structure reflected by overall gearing of 0.41x and total outside liabilities to tangible net worth (TOL/TNW) of 0.50x as on March 31, 2024 aided by a healthy net worth base. Ratings also consider KPPL's experienced promoters, established customer base, high margin product portfolio, and healthy debt coverage indicators with PBILDT interest coverage and total debt/PBILDT ratios at 8.39x and 1.16x, respectively, in FY24 (PY: 8.15x and 1.47x, respectively). However, ratings remain constrained by working capital intensive operations, susceptibility to fluctuation in raw material prices, and foreign currency exchange rates.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving scale of operations above ₹350 crore while maintaining PBILDT margin above 20% on a sustained basis.

Negative factors

- Substantial decline in revenue and PBILDT margins below 16% on a sustained basis.
- Deterioration of overall gearing above 1.00x on a sustained basis.
- Any major debt-funded capex or significant corporate guarantees impacting the credit metrics.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook on long-term rating reflects CARE Ratings' expectations that KPPL will continue to maintain its performance over the coming years on the back of established track record and experience of promoters.

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

Detailed description of key rating drivers:

Key strengths

Comfortable financial risk profile

KPPL's capital structure remains comfortable considering healthy net worth and moderate utilisation of working capital limits and minimal term loans translating into overall gearing (including acceptances) of 0.41x (PY: 0.62x) and TOL/TNW of 0.50x (PY: 0.77x) as on March 31, 2024. KPPL's debt coverage indicators remain healthy with interest coverage ratio of 8.39x (PY: 8.15x) and total debt/PBILDT ratio at 1.16x as on March 31, 2024 (PY: 1.47x). CARE Ratings notes that KPPL's promoters have plans to invest in yarn spinning for backward integration and product diversification over the near-to-medium term. Any significant investment towards such venture including incremental borrowing debt availed and/or extension of corporate guarantees may impact the credit metrics and liquidity of the company and remain a key monitorable. The company is expected to maintain its comfortable financial risk profile backed by healthy expected accruals.

Geographically diversified customer base and high-margin product portfolio

The company's revenue exhibits geographical diversification with exports accounting for over 60% of its revenue over the last five years. Within exports, the company derives one-third of revenue from the US market with the European market and Middle East countries being other major export destinations. The geographically diversified revenue base aids in reducing the impact of regional demand slowdown and/or increase in tariffs. Moreover, the company's product portfolio comprises filtration fabric, which accounts for over 60% of its revenue, followed by industrial fabric, which contributes 35-40% of revenue. These products are technical textiles with relatively high margin due to high levels of customisation and specific uses, which aids in passing on the raw material volatility and import tariffs to customers to a large extent.

Experienced promoters

KPPL continues to benefit from rich experience of its promoters. It started operations in 1979 and was established by Pramod Khosla and his family. KPPL is managed by Pramod Khosla (Chairman & Managing Director) and Raj Khosla (brother of Pramod Khosla) who have over four decades of experience in the technical textile business.

Key weaknesses

Working capital intensive nature of operations

The company's overall working capital cycle continues to be elongated at 158 days in FY24 (FY23: 123 days) due to high collection period and inventory holding requirements. The company stocks key raw materials such as polyester and polypropylene, among others and maintains inventory of around two to three months. As against the extended credit period in the range of 60-90 days to its customers, the company receives credit period of ~30 days from its suppliers. Thus, operations are working capital intensive in nature, resulting in dependence on the working capital borrowings.

Susceptible to fluctuations in raw material prices and foreign exchange rates

Major raw materials consumed by KPPL are cotton, poly-cotton, polypropylene, polyester, and nylon, among others. Cotton prices are volatile in nature driven by factors such as area under cultivation, yield for the year, government regulation, and pricing, among others. On the other hand, polyester being a derivative of crude oil is continuously affected by movement in crude oil prices. Hence, adverse raw material price volatility may affect the company's margins. The company is also exposed to exchange rate volatility given its reliance on imports of certain key raw materials (₹31.59 crore in FY24, amounting of 25% of total raw material purchases), and its exports (USD denominated, ₹170 crore, amounting to 62% of gross revenues). As the company typically hedges only 20%-30% of its exposure, it is susceptible to adverse movements in USD-INR rates.

Liquidity: Adequate

The company's liquidity is marked adequate with projected gross cash accruals of ₹40-45 crore p.a. over the next two years against scheduled repayment obligation of ₹7-8 crore p.a. and maintenance capex of ₹15-20 crore p.a. over FY25-FY26. KPPL's average utilisation of fund-based working capital facilities stood at 52% for the 12-months ending December 2024 providing adequate liquidity buffer.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies

[Financial Ratios – Non financial Sector](#)
[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

KPPL is engaged in manufacturing industrial and technical fabrics including filter fabrics, and air slide fabrics, among others from raw materials such as cotton, polypropylene, and polyester, among others. The company was established by Pramod Khosla and his family in 1979. It has a presence across the textile value chain from weaving (filter fabrics) to dyeing/processing to made ups (filtration bags). Its main manufacturing facilities are at Wada, Maharashtra, with an installed capacity of 18.06 million sq.mt p.a. as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	310.18	275.84	132.07
PBILDT	60.49	59.28	24.73
PAT	32.10	28.25	10.75
Overall gearing (times)	0.62	0.41	0.34
Interest coverage (times)	8.15	8.39	8.68

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-Cash Credit	-	-	-	-	30.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	-	November 2027	19.16	CARE BBB+; Stable
Fund-based - ST-EPC/PSC	-	-	-	-	20.00	CARE A3+
Fund-based - ST-FBN / FBP	-	-	-	-	20.00	CARE A3+
Fund-based - ST-Working Capital Limits	-	-	-	-	21.00	CARE A3+
Non-fund-based - ST-Bank Guarantee	-	-	-	-	1.00	CARE A3+
Non-fund-based - ST-Letter of credit	-	-	-	-	14.00	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-Term Loan	LT	19.16	CARE BBB+; Stable	1)CARE BBB+; Stable (03-Apr-24)	1)CARE BBB+; Stable (04-Apr-23)	1)CARE BBB+; Stable (05-Apr-22)	-
2	Fund-based - ST-EPC/PSC	ST	20.00	CARE A3+	1)CARE A3+ (03-Apr-24)	1)CARE A3+ (04-Apr-23)	1)CARE A3+ (05-Apr-22)	-
3	Fund-based - ST-FBN / FBP	ST	20.00	CARE A3+	1)CARE A3+ (03-Apr-24)	1)CARE A3+ (04-Apr-23)	1)CARE A3+ (05-Apr-22)	-
4	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB+; Stable	1)CARE BBB+; Stable (03-Apr-24)	1)CARE BBB+; Stable (04-Apr-23)	1)CARE BBB+; Stable (05-Apr-22)	-
5	Fund-based - ST-Working Capital Limits	ST	21.00	CARE A3+	1)CARE A3+ (03-Apr-24)	1)CARE A3+ (04-Apr-23)	1)CARE A3+ (05-Apr-22)	-
6	Non-fund-based - ST-Letter of credit	ST	14.00	CARE A3+	1)CARE A3+ (03-Apr-24)	1)CARE A3+ (04-Apr-23)	1)CARE A3+ (05-Apr-22)	-
7	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A3+	1)CARE A3+ (03-Apr-24)	1)CARE A3+ (04-Apr-23)	1)CARE A3+ (05-Apr-22)	-

LT: Long term; ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-EPC/PSC	Simple
4	Fund-based - ST-FBN / FBP	Simple
5	Fund-based - ST-Working Capital Limits	Simple
6	Non-fund-based - ST-Bank Guarantee	Simple
7	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view 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:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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