

Knit Gallery

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	18.03 (Reduced from 28.14)	CARE BB+ (RWD)	Placed on Rating Watch with Developing Implications
Short Term Bank Facilities	90.11 (Enhanced from 80.00)	CARE A4+ (RWD)	Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Knit Gallery (KE) continue to be constrained by moderate capital structure and debt coverage metrics, customer concentration risk, profit margins exposed to volatility in raw material prices, and capital withdrawal risk associated with partnership nature of business.

The ratings however derive strength from vast experience of the promoters and long track record of operations and improved profit margins during FY24 (refers to the period April 01 to March 31)

The ratings are also being placed on rating watch with developing implications as 55% of stake in Knit Gallery India Private Limited (KGIPL) is proposed to be acquired by PDS Limited and the business in KE is expected to be transferred to KGIPL by way of business transfer agreement. CARE Ratings Limited (CARE Ratings) will continue to monitor the developments and review the ratings when greater clarity emerges on the impact of the change in shareholding on the management and operations of the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improve capital structure with overall gearing below 1.8x on sustained basis
- Improve Total debt/ GCA below 4x on sustained basis

Negative factors

- Decline in scale of operations with income below Rs.250 crore on sustained basis
- Any large debt funded capex or withdrawal of partner capital leading to overall gearing above 3.5x

Analytical approach: Combined

Care rating has combined the business and financial risk profiles of Knit Gallery (KE) and Knit Gallery India Private Limited (KGIPL) together referred to as Knit Gallery Group (KGG). This is because both the entities are in similar lines of business, have common management, and share business synergies. The list of entities combined are given in Annexure-6

Detailed description of key rating drivers:

Key weaknesses

Moderate capital structure and debt coverage metrics

The overall gearing of the group stood moderate at 1.98 as on March 31, 2024, albeit improved from 2.79 as on March 31, 2023. Total debt primarily comprises term loan availed for capex towards setting up captive solar plant, along with GECL loans and working capital borrowing. The debt protection metrics also stood moderate marked by Total debt/ GCA of 3.42 as on March 31, 2024 (PY: 5.58).

Customer concentration risk

The group has a reputable customer base such as Ernsting's family GmbH & Co. KG, Primark etc., having established relationship over a decade. However, the customer base is concentrated with single customer forming 65.88% of income of the group in 10mFY25 (refers to April 1 to January 31) and 67.40% of income in FY24 (refers to April 1 to March 31). Furthermore, the top 5 customers contributed to 83.33% in 10mFY25 and 85.58% in FY24.

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

Profit margins exposed to volatility in raw material prices

The profitability of textile companies depends largely on the prices of raw material cotton which is governed by various factors such as area under cultivation, monsoon, international demand-supply situation, etc. The cotton being the major raw material, movement in cotton without parallel movement in yarn prices impact the profitability of the spinning mills. The textile industry is inherently prone to the volatility in cotton and yarn prices. The profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of the group has been volatile in the range of 6.5% to 16.23% over the past 5 years ended FY24.

Capital withdrawal risk associated with partnership nature of business

The partnership nature of business has inherent risk of withdrawal of capital by the partners at the time of their personal contingencies resulting in erosion of capital base leading to adverse effect on capital structure. However, the risks associated is outweighed by the significant experience of the promoters in the textile business and their ability to bring in capital to support the operations. It is to be noted that partners withdrawn capital of Rs 2.68 crore in FY24 and Rs.12.6 crore over FY22 and FY21 for personal contingencies

Key strengths

Improved financial performance in FY24 and 10mFY25

Total operating income (TOI) of the group moderated to Rs.320 crore in FY24, a decline by 11.44% from Rs 361.81 crore in FY23, however PBILDT margin improved significantly from 9.02% in FY23 to 16.23% in FY24 aided by reduced raw material costs and benefits derived from captive power. During 10mFY25, the group booked TOI of Rs.245.5 crore with PBILDT margin of 12.8%.

Vast experience of the promoters and long track record of operations

Knit Gallery group was promoted by the brothers Mr. A Vijayanand and Mr. A Vijayprabhu, who have over two decades of experience in textile sector. It is entirely family run business. The group has track record of over two decades of operations with diversified product profile comprising of knitted garments for Baby wear (50%), Girls wear (25%) and Underwear & Nightwear (25%). The group exports to various geographies such as US, UK, Germany, Ireland, Canada etc. The vast experience of the promoters and their strong relationships with customers is expected to continue to support business risk profile.

Liquidity: Stretched

Liquidity is stretched with tightly matched accruals against repayment obligations and moderate cash balance of Rs.3.96 crore as on March 31, 2024. The group also had fixed deposits of Rs.40.01 crore as on March 31, 2024 of which ~Rs.15 crore has been lien marked as additional collateral for the borrowings. The group has comfortable working capital cycle of 23 days in FY24. The inventory holding has increased from 36 days in FY22 to 75 days in FY24 as the group was earlier outsourcing production and over the years it had added own capacity and changed the inventory policy to hold around 2 - 3 months of raw material inventory. The group has been sanctioned with working capital limits of Rs.27.00 crore in KG IPL and Rs.105 crore in KE respectively and the average utilization of the same stood at 64.20% and 94.72% respectively for the past 12 months ended January 2025.

Assumptions/Covenants: Not applicable

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

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](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Garments & Apparels

Knit Gallery (KE) was established as a partnership firm in Tirupur, Tamil Nadu by Mr. A Vijayanand and Mr. A Vijayprabhu in 2002, with profit sharing of 90% and 10% respectively. KE has over 2500 stitching machines across 10 units. KE manufactures and sells baby garments, women and men knit wears, primarily to export markets (92% of income) such as Germany and UK.

Knit Gallery India Private Limited (KGIPL) was incorporated in 2018, by the same promoters and it is engaged in manufacturing and exporting of readymade garments primarily to US, with capacity of 1200 stitching machines

Brief Financials (₹ crore) - Combined	31-03-2023 (UA)	31-03-2024 (UA)	10MFY2025 (Prov.)
Total operating income	361.81	320.42	245.55
PBILDT	32.63	52.02	31.44
PAT	12.42	29.03	NA
Overall gearing (times)	2.79	1.98	NA
Interest coverage (times)	2.70	4.57	NA

UA: Un Audited Prov.: Provisional; NA: Not available; Note: 'the above results are latest financial results available'

Brief Financials (₹ crore) - Standalone	31-03-2023 (A)	31-03-2024 (A)	10MFY2025 (Prov.)
Total operating income	283.97	266.38	197.33
PBILDT	26.16	38.93	27.25
PAT	9.37	20.47	NA
Overall gearing (times)	3.17	2.37	NA
Interest coverage (times)	2.66	3.98	NA

A: Audited Prov.: Provisional NA: Not available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and has classified Knit Gallery as "Not cooperating" vide its press release dated February 17, 2025. The reason provided by CRISIL was Non-submission of information required to undertake review.

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-Term Loan		-	-	Dec-2027	18.03	CARE BB+ (RWD)
Fund-based - ST-Foreign Bill Discounting		-	-	-	35.00	CARE A4+ (RWD)
Fund-based - ST-Packing Credit in Foreign Currency		-	-	-	55.11	CARE A4+ (RWD)

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	18.03	CARE BB+ (RWD)	-	1)CARE BB+; Stable (08-Mar-24)	-	-
2	Fund-based - ST-Packing Credit in Foreign Currency	ST	55.11	CARE A4+ (RWD)	-	1)CARE A4+ (08-Mar-24)	-	-
3	Fund-based - ST-Foreign Bill Discounting	ST	35.00	CARE A4+ (RWD)	-	1)CARE A4+ (08-Mar-24)	-	-

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-Term Loan	Simple
2	Fund-based - ST-Foreign Bill Discounting	Simple
3	Fund-based - ST-Packing Credit in Foreign Currency	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

The entities which have been combined are as below:

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Knit Gallery India Private Limited	Full	Operational and financial linkages

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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