

## K.V. Tex Firm

April 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	11.17 (Reduced from 21.98)	CARE C	Downgraded from CARE BB-; Stable
Long Term / Short Term Bank Facilities	23.00	CARE C / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of K.V. Tex Firm (KV Tex) factors in delays in debt servicing on one of its term loan facilities (not rated by CARE Rating Ltd.,). Rating remains constrained by the moderate scale of operations and geographical concentration risk arising out of fewer showrooms which are in close proximity to each other, moderate capital structure, highly competitive nature of textile retailing industry and capital withdrawal risk associated with the partnership firm. However, the rating continues to derive comfort from the experience of the promoters and long track record of operations of the firm.

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

#### Positive factors

- Satisfactory track record of timely repayment and servicing of debt obligation for a continuous period of 90 days.
- Improvement in Total operating income (TOI) to ₹350 Cr.
- Sustenance of profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 8%.

#### Negative factors

- Deterioration of capital structure with overall gearing above 4x.
- Any further strain in the liquidity profile of the firm.

### Analytical approach: Standalone

#### Detailed description of key rating drivers:

##### Key weaknesses

##### Delay in debt servicing

As per the due diligence exercise conducted by CARE Ratings Ltd., it is understood that the company has delays in servicing the availed loan facilities (not rated by CARE Rating Ltd.,).

##### Moderate capital structure and capital withdrawal risk associated with partnership firm

The capital structure of the firm remained moderate with the overall gearing at 2.35x as of March 2024 (PY 2.44x). Further, the firm continued to remain as a closely held partnership firm since inception and capital withdrawal risk is inherent to the partnership nature of the firm.

##### Geographical concentration risk and presence in competitive industry

Firm's outlets, including the proposed showroom, are located at Cuddalore and Puducherry region in close proximity to one another, exposing the firm to geographical concentration risk. Furthermore, in addition to local competition, stores in Cuddalore and Puducherry face competition due to their proximity to Chennai, which has wider offerings with the presence of other established/organised/unorganised retailers, resulting in intense competition in attracting/retaining customers.

<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.

## Key strengths

### Long track record of operations

The firm has been operational for nearly three decades and currently operates three showrooms in Cuddalore and Puducherry (all of which are owned) with a total retail space of 1.55 lakh sq. ft., with products catering to lower middle-class & middle-class segment. Cuddalore showroom was started in 2013 while the outlet at Puducherry which commenced operation in 2018 faced closure due to issues on the construction like insufficient parking space as identified by the municipal corporation. However the outlet resumed its operation by the end of 2021. The firm also has 3 warehouses with total area of 65,000 sq. ft. (of which 1 warehouse is owned with area of 25,000 sq. ft). The outlets are large format retail stores. Major sale volume is derived from sales of readymade garments of men, women, and children.

### Experienced promoters

The promoters have three decades of experience in the textile retail industry. M. Venkateshwaran, managing partner, oversees the day-to-day operations of the textile showrooms. He is supported by other partners in the day-to-day operations.

### Liquidity: Poor

The firm's liquidity profile is likely to be poor, with generated gross cash accruals has not sufficient to meet the debt payment liabilities in FY25, and the promoter's fresh capital infusion is expected to assist the firm in meeting the required outgo. The firm's average working capital utilization for the 12-month period ended January 2025 was 80%, and the operational cycle remained negative during FY24 due to credit periods ranging from 45 to 60 days provided by suppliers.

### Applicable criteria

[Definition of Default](#)

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

[Financial Ratios – Non financial Sector](#)

[Retail](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

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

KV Tex is a partnership firm founded in 2013 by the brothers Kannappan and Venkateswaran, together with their spouses. The firm operates large-format retail outlets, with a major focus on textiles. KV Tex is currently operating with a retail space of 1.55 lakh square feet over three showrooms, two of which are in Cuddalore and the other in Puducherry.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	214.32	226.43	225.00
PBILDT	13.73	15.33	NA
PAT	2.97	4.01	NA
Overall gearing (times)	2.44	2.35	NA
Interest coverage (times)	2.11	2.02	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-Term Loan		-	-	30-05-2028	11.17	CARE C
Fund-based - LT/ ST-Bank Overdraft		-	-	-	23.00	CARE C / CARE A4

**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-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (26-Nov-21)
2	Fund-based - LT-Term Loan	LT	11.17	CARE C	-	1)CARE BB-; Stable (28-Mar-24)	1)CARE BB-; Stable (13-Jan-23)	1)CARE BB-; Stable (26-Nov-21)
3	Fund-based - LT/ ST-Bank Overdraft	LT/ST	23.00	CARE C / CARE A4				

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-Term Loan	Simple
2	Fund-based - LT/ ST-Bank Overdraft	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.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Sandeep P Director <b>CARE Ratings Limited</b> Phone: 044 2850 1002 E-mail: <a href="mailto:sandeep.prem@careedge.in">sandeep.prem@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 91 22 6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Ratheesh Kumar Associate Director <b>CARE Ratings Limited</b> Phone: 044- 2850 1020 E-mail: <a href="mailto:ratheesh.kumar@careedge.in">ratheesh.kumar@careedge.in</a>
	Bhuvaneshwaran Balamurugan Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Bhuvaneshwaran.b@careedge.in">Bhuvaneshwaran.b@careedge.in</a>

### About us:

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