# KG Petrochem Limited

July 09, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 13.02<br>(Reduced from 14.94) | CARE BBB-; Stable | Reaffirmed |
| Long Term / Short Term Bank Facilities | 91.00 | CARE BBB-; Stable / CARE A3 | Reaffirmed |
| Short Term Bank Facilities | 15.75 | CARE A3 | Reaffirmed |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

The ratings assigned to bank facilities of KG Petrochem Limited (KGPL) continues to derive strength from the vast experience of the promoters in terry towel business, company's established track record of operations with repeat orders from a reputed clientele, moderate capital structure, its moderate scale of operations and profitability with some recovery in FY25 and adequate liquidity despite an elongated operating cycle. The ratings, however, continue to remain constrained on account of slow ramp up of operations in artificial leather business and concentrated customer as well as geographical revenue profile. The ratings are further constrained on account of inherent cyclicality associated with textile industry and vulnerability of profitability to the fluctuation in raw material prices as well as foreign currency exchange rate, though with presence of a prudent hedging mechanism.

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

**Positive factors**

- Maintenance of Total Operating Income (TOI) above Rs.300 crore alongwith improvement in operating profitability and ROCE above 10%
- Improvement in capital structure marked by adjusted overall gearing to below unity.

**Negative factors**

- Decline in TOI below Rs.200 crore and decline in PBILDT margin below 7% on a sustained basis
- Moderation in capital structure above 1.20x along with moderation in debt coverage indicators
- Elongation of working capital cycle beyond 180 days on sustained basis.

## Analytical approach: Standalone

## Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that the company will continue to benefit from vast experience of the promoters in textile industry and sustain its moderate financial risk profile in near to medium term.

## Detailed description of key rating drivers:

## Key strengths

**Experienced promoters in the textile industry**

KGPL is promoted by Mr. G. S. Kandoi, a Mechanical Engineer from BITS Pilani having vast business experience of more than five decades. His son and Managing Director, Mr. Manish Singhal, is an IIT graduate and has an industry experience of more than two decades. Apart from the executive directors, the Board of Directors also consist of four independent directors as well as experienced professionals at various levels.

**Established track record of operations**

KGPL operates in two segments, i.e., manufacturing of terry towels/made ups & artificial leather and as a consignment stockist of GAIL (India) Limited for polymers for Rajasthan region. It has established operations of more than two decades in the terry towels & made ups segment, which contributed more than ~75% of its TOI over the past three years ended FY25.

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

**Moderate scale of operations with some recovery in profitability in FY25 though moderate in comparison to previous years**

KGPL's TOI remained moderate at Rs.378.16 crore in FY25 (Rs.334.35 cr. In FY24). It grew by 13% y-o-y due to increase in sales volume of terry towels, however sales for the artificial leather segment remained stable at Rs.45.02 cr. in FY26 (Rs.44.61 cr. in FY24).

Operating margin improved to 7.43% in FY25 from 6.48% in FY24. It recovered as compared to previous year with better sales realisations and with increase in scale of operations in FY25 with recovery in export demand. However, operating margin remains low compared to previous years ended FY23. (9.64% in FY23, 12.04% in FY22).

For FY26, company is expected to register moderate growth in TOI along with moderate operating margin with improvement in terry towel demand and with correction in raw material prices. However, considering significant moderation in profitability vis-a-vis previous years, extent of this recovery shall remain crucial from credit perspective.

**Moderate capital structure and moderate debt coverage indicators**

The capital structure of KGPL remained moderate with overall gearing of 0.89x as on March 31, 2025 (P.Y. 0.93x). The Total Outside Liabilities / Net worth ratio continued to remain moderate at 1.39x in FY25 (1.39x in FY24).

KGPL has extended corporate guarantee to group company Suave Casa Ideas Private Limited (SCIPL) of Rs.20 cr. SCIPL is into manufacturing of terry towel and the operations of the same are expected to commence in Q4FY26 onwards. The capex is in under process.

Further, KGPL is in process of increasing space for storage of raw material and finished goods for which building will be acquired and total cost of the same envisaged is around Rs.5.65 cr. Further, printing machineries will be imported for optimising production of terry towel and total cost of the same will be around Rs.2.34 cr. The total capex planned is thus around Rs.8 cr. For which company has taken loan of Rs.6 cr. and remaining will be from internal accruals.

The debt coverage indicators of the company remained moderate marked by PBILDT interest coverage of 3.22x in FY25 (P.Y.2.73x in FY24) and Total debt to GCA of 6.60x (P.Y.8.71x in FY24) improved marginally with recovery in profitability as compared to last year. Return indicators continued to remain moderate as indicated by Return on Capital Employed (ROCE) of around 6.18% (P.Y. 5.56% in FY24), it remained lower as compared 12-13% in recent past.

## Key weaknesses

**Concentrated customer and geographical revenue profile though reputed clientele base**

KGPL's terry towel and made-ups business is almost entirely dependent on the export market i.e., primarily to USA and partially to Chile, South America. During FY25, KGPL generated ~76% of TOI from exports (75% of TOI in FY24). In addition, the customer profile of KGPL is highly concentrated with top -10 customers forming ~69% of TOI (68% of TOI in FY24) in FY25. Customer profile of KGPL includes reputed retail chains such as Walmart Inc., Jay Franco & Sons etc. which reduces the counterparty credit risk to an extent. Also, company has an established relationship with these clients which enables repeat business from them, while it has also commenced sales to other regions to improve customer diversification. Nevertheless, any change in customer preference and/or political instability or economic slowdown in the major export markets could impact the operations of KGPL.

**Continued subdued performance of the artificial leather business in FY25**

KGPL started manufacturing of artificial leather from second half of FY19, however over the last four - five years, the ramp up of operations of this segment remained subdued due to initial teething issues as well as subdued demand from end-user industries i.e., mainly footwear and automobile. This apart, the segment also faces intense competition from low-cost products like PVC based synthetic leather. Sales of artificial leather remain stable at Rs.45.02 cr. in FY25 as against Rs.44.61 cr. in FY24. As articulated by the management, company has increased its focus on exports and on the automobile sector and has added few new customers in FY25, with these sales is expected to improve in FY26.

**Susceptibility of profitability to volatile raw material prices and forex fluctuation though the latter is largely mitigated through prudent hedging mechanism**

The prices of raw cotton are volatile in nature and depend upon factors like area under production, yield for the year, international demand supply scenario, export quota decided by the government and inventory carry forward from the previous year. Also, the production of cotton in India is dependent upon the vagaries of the monsoon. Accordingly, any sharp adverse fluctuations in cotton prices may affect the profitability of KGPL. Further, KGPL earns large part of its revenue from exports, which exposes its profitability to volatility in forex rates. However, majority of forex risk is mitigated as KGPL hedges entire forex exposure through forward contracts.

### Inherent cyclicality associated with textile industry, albeit stable demand prospects

Textile industry is a cyclical industry and closely follows the macroeconomic business cycles. Furthermore, the industry is highly competitive and fragmented in nature with presence of large established players as well as numerous small players. Global demand for home textiles was impacted in last two years ended FY24 with slowdown in sales of key US retailers. However, traction has been witnessed from Q3FY25onwards with recovery in demand and moderation in cotton prices. Overall, long-term demand outlook is expected to remain stable driven by factors such as increasing urbanization, changing lifestyle and growing fashion trends.

**Liquidity**: Adequate

The company has an adequate liquidity, marked by positive (though moderated) cash flow from operations of Rs.18.90 crore registered in FY25 (Rs. 21.33 cr. in FY24) and sufficient cushion in gross cash accruals vs repayments. Utilization of fund-based working capital limits however remained high at 74.87% for past 12 months ended April 2025.
The business operations of KGPL are working capital intensive in nature marked by elongated operating cycle of 140 days in FY25 (154 days in FY24). KGPL needs to maintain sufficient inventory to meet demand resulting in inventory period of 80 to 110 days. Furthermore, KGPL offers credit period of ~60-100 days to its customers. While KGPL's customer profile includes reputed players from large retail chains which reduces the risk of delayed collection to an extent, there has been delayed recovery in one of its major customers.
The annual scheduled repayments are relatively lower in the range of Rs.6-10 cr. which are expected to be met from its envisaged cash accruals.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

## Applicable criteria

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 | Other Textile Products |

Incorporated in 1980, Jaipur-based KGPL is promoted by Mr. G. S. Kandoi. KGPL is engaged in the manufacturing of terry towel and made up as well as artificial leather. KGPL also works as a consignment stockist of GAIL (India) Ltd. for polymers for Rajasthan under its agency division. Terry towel segment is the major revenue earner for the company, contributing ~79% of its TOI in FY25. The manufacturing facility of KGPL is located at Tehsil Kotputli, near Jaipur, Rajasthan with an aggregate installed capacity of 6,200 Metric Tonne Per Annum (MTPA) for terry towel division and 100 lakh meters for Synthetic PU/PVC leather as on March 31, 2025, while agency division is operated from unit located at Vishwakarma Industrial (VKI) Area, Jaipur. The company's stitching unit is also located in VKI area, Jaipur

| Particular | March 31, 2023 (A) | March 31, 2024 (A) | March 31, 2025 (A) |
|---|---|---|---|
| Total operating income | 306.32 | 334.35 | 378.16 |
| PBILDT | 29.54 | 21.67 | 28.10 |
| PAT | 7.93 | 0.93 | 5.51 |
| Overall gearing (times) | 0.96 | 0.93 | 0.89 |
| Interest coverage (times) | 3.06 | 2.73 | 3.22 |

A: Audited, Prov.: Provisional, 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 | | - | - | - | 1.00 | CARE BBB-; Stable |
| Fund-based - LT-Term Loan | | - | - | December 2027 | 12.02 | CARE BBB-; Stable |
| Fund-based - ST-EPC/PSC | | - | - | - | 10.75 | CARE A3 |
| LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | | - | - | - | 36.00 | CARE BBB-; Stable / CARE A3 |
| LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | | - | - | - | 55.00 | CARE BBB-; Stable / CARE A3 |
| Non-fund-based - ST-Bank Guarantee | | - | - | - | 5.00 | 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 2025-2026 | 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 |
| 1 | Fund-based - LT-Term Loan | LT | 12.02 | CARE BBB-; Stable | 1)CARE BBB-; Stable (04-Apr-25) | 1)CARE BBB-; Stable (04-Jun-24) | 1)CARE BBB; Stable (19-Jul-23) | 1)CARE BBB; Stable (01-Sep-22) |
| 2 | Fund-based - LT-Cash Credit | LT | 1.00 | CARE BBB-; Stable | 1)CARE BBB-; Stable (04-Apr-25) | 1)CARE BBB-; Stable (04-Jun-24) | 1)CARE BBB; Stable (19-Jul-23) | 1)CARE BBB; Stable (01-Sep-22) |
| 3 | LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | LT/ST | 36.00 | CARE BBB-; Stable / CARE A3 | 1)CARE BBB-; Stable / CARE A3 (04-Apr-25) | 1)CARE BBB-; Stable / CARE A3 (04-Jun-24) | 1)CARE BBB; Stable / CARE A3+ (19-Jul-23) | 1)CARE BBB; Stable / CARE A3+ (01-Sep-22) |
| 4 | LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | LT/ST | 55.00 | CARE BBB-; Stable / CARE A3 | 1)CARE BBB-; Stable / CARE A3 (04-Apr-25) | 1)CARE BBB-; Stable / CARE A3 (04-Jun-24) | 1)CARE BBB; Stable / CARE A3+ (19-Jul-23) | 1)CARE BBB; Stable / CARE A3+ (01-Sep-22) |
| 5 | Non-fund-based - ST-Bank Guarantee | ST | 5.00 | CARE A3 | 1)CARE A3 (04-Apr-25) | 1)CARE A3 (04-Jun-24) | 1)CARE A3+ (19-Jul-23) | 1)CARE A3+ (01-Sep-22) |
| 6 | Fund-based - ST-EPC/PSC | ST | 10.75 | CARE A3 | 1)CARE A3 (04-Apr-25) | 1)CARE A3 (04-Jun-24) | 1)CARE A3+ (19-Jul-23) | 1)CARE A3+ (01-Sep-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-Cash Credit | Simple |
| 2 | Fund-based - LT-Term Loan | Simple |
| 3 | Fund-based - ST-EPC/PSC | Simple |
| 4 | LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | Simple |
| 5 | Non-fund-based - ST-Bank Guarantee | Simple |

## Annexure-5: Lender details

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| 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:**
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 Reserve Bank of India. 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. For more information: www.careratings.com



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