

KPM Processing Mill Private Limited

September 26, 2022

Rating

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|------------------------------|--|--|---|
| Long-term Bank Facilities | 47.00 | CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*) | Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category |
| Total Bank Facilities | 47.00 (₹ Forty-Seven Core Only) | | |

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from KPM Processing Mill Private Limited (KPM) to monitor the ratings vide e-mail communications/letters dated May 17, 2022, July 14, 2022, July 19, 2022, August 18, 2022, September 13, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on from KPM Processing Mill Private Limited bank facilities will now be denoted as **CARE BB; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings

Detailed description of the key rating drivers

At the time of last rating on August 30, 2021 the following were the rating strengths and weaknesses.

Key rating weaknesses

Small scale of operations

KPM commenced operations from 2013 and has capacity to process 7800 MTPA of fabrics as on March 31, 2021. The scale of operations stood relatively small due to job work nature of operations with operating income in the range of Rs.49.2 crore to Rs.56.2 crore over the past three years ended FY21 (refers to the period April 1 to March 31).

Moderate capital structure

The capital structure of the company stood moderate with overall gearing of 1.71x as on March 31, 2021 (Prov.) on account of working capital-intensive nature of operations as against 1.48x as on March 31, 2020. During FY21 and 4mFY22 the company incurred capex of Rs.27 crore funded by term loan of Rs.21 crore and rest by accruals towards installation of bleaching and soft dyeing machines which increased the capacity by around 20 MT per day. The incremental capacity is expected to commence operations from September 2021.

Presence in a fragmented and cyclical textile processing industry along with associated regulatory risk

The textile processing industry is highly fragmented in nature due to the presence of large number of unorganized players leading to high competition in the industry. Further, textile is a cyclical industry and closely follows the macroeconomic business cycles. Hence, any shift in macroeconomic environment globally would have an impact on the domestic textile industry. The textile processing units use various chemicals for dyeing and printing process, which generate polluted water and air that needs to be treated before their 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 KPM's operations.

Key rating strengths

Vast experience of the promoters

Mr. P. Sekaran, Managing Director and Mr. Chandrasekaran, director has vast experience of over 3 decades in textile industry. Mrs. Thamilselvi, director and wife of Mr. Sekaran also has experience in same line of business for about two decades.

Reputed customer base

KPM does job work of textile processing including dyeing and bleaching for reputed customers such as Page Industries Limited, SCM Garments Pvt Ltd, LESHARK Global LLP etc who are associated with the company since inception and the top 5 customers contributed to 76% (PY: 81%) of sales in FY21.

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

*Issuer did not cooperate; based on best available information

Healthy profitability margins

The profitability of the company stood healthy and the PBILDT margin improved consistently from 17.07% in FY19 to 28.01 in FY21 due to higher margins from job work. The cash accruals also increased over the years from Rs. 5.27 crore in FY19 to Rs.10.45 crore in FY21 at the CAGR of 68%. During Q1FY22 the company reported income of Rs.10.78 crore with PBILDT margin of 36.64%. With improved operating profits over the years the interest coverage stood comfortable at 3.69 in FY21 (PY:5.03%).

Analytical approach: Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

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

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

[Rating Outlook and Credit Watch](#)

[Cotton Textile](#)

[Manufacturing Companies](#)

About the company

KPM Processing Mill Private Limited (KPM) was established as a private limited company in 2013 by Mr. P. Sekaran, Mrs. S. Thamilselvi and Mr. Chandrasekaran. The company is engaged in textile processing primarily dyeing of knitted fabrics. The unit is located at Tirupur with an installed capacity of 7800 tonne per annum as on March 31, 2021.

| Brief Financials (₹ crore) | March 31, 2020 (A) | March 31, 2021 (A) | March 31, 2022 | Q1FY23 (P) |
|----------------------------|--------------------|--------------------|----------------|------------|
| Total operating income | 53.05 | 56.66 | NA | NA |
| PBILDT | 11.53 | 16.88 | NA | NA |
| PAT | 2.60 | 4.16 | NA | NA |
| Overall gearing (times) | 1.48 | 1.97 | NA | NA |
| Interest coverage (times) | 5.03 | 3.93 | NA | NA |

A: Audited; P: Provisional; NA: Not Available

Status of non-cooperation with previous CRA: India Ratings has reviewed the ratings of 'KPM Processing Mill Private Limited' and classified into 'issuer not cooperating' category; based on best available information vide PR dated March 30, 2022.

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

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 along with Rating Outlook |
|--|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Cash Credit | | - | - | - | 11.00 | CARE BB; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | | - | - | January 2026 | 33.01 | CARE BB; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Proposed fund-based limits | | - | - | - | 2.99 | CARE BB; Stable; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; based on best available information

Annexure-2: Rating history for the 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 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based - LT-Cash Credit | LT** | 11.00 | CARE BB; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB+; Stable (30-Aug-21) | - | - |

| | | | | | | | | |
|---|--|----|-------|--|---|--------------------------------|---|---|
| 2 | Fund-based - LT-Term Loan | LT | 33.01 | CARE BB; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB+; Stable (30-Aug-21) | - | - |
| 3 | Fund-based - LT-Proposed fund-based limits | LT | 2.99 | CARE BB; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB+; Stable (30-Aug-21) | - | - |

*Issuer did not cooperate; based on best available information,

**LT-Long term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

| Sr. No. | Name of Instrument | Complexity Level |
|---------|--|------------------|
| 1 | Fund-based - LT-Cash Credit | Simple |
| 2 | Fund-based - LT-Proposed fund-based limits | Simple |
| 3 | Fund-based - LT-Term Loan | Simple |

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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