

Khosla Profil Private Limited

March 15, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ^[1]	Rating action
Long Term Bank Facilities	43.97	CARE BBB; Stable (Triple B ; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	56.00	CARE A3+ (A Three Plus)	Reaffirmed
Total facilities	99.97 (Rs. Ninety nine crore and ninety seven lakhs only)		

Detailed Rationale & key rating drivers

The ratings assigned to bank facilities of Khosla Profil Private Limited (KPPL) continue to derive strength from steady improvement in scale of operation, nearing completion stage of existing expansion project which substantially mitigates project risk. The ratings also continue to derive strength from the experience of the promoters in the technical textile business, diversified product profile and moderate profitability margins.

The ratings however continue to be tempered by the leveraged capital structure and working capital intensive nature of operations, exposure to volatility in raw material prices, foreign exchange fluctuation risk imparting volatility to the profitability. Ability of the company to increase its scale of operations, optimum utilisation of the expanded capacity, improvement in profitability and capital structure remains the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters

KPPL started operations in 1979 and was established by Mr. Pramod Khosla and his family members. KPPL is currently managed by Mr. Pramod Khosla (Chairman & Managing Director) and Mr. Raj Khosla (brother of Mr. Pramod Khosla) who have around three decades of experience in the Technical Textile business.

Diversified product profile

KPPL is engaged in the manufacturing of range of products which includes industrial and technical fabrics, filter fabrics, air slide fabrics, filter press fabrics, centrifuges bags, etc. which are made from cotton, poly-cotton, polypropylene, polyester, nylon, etc. The company has a presence right from weaving (filter fabrics), dyeing/processing of the fabrics to made ups (filtration bags). It caters to varied clients across industries. KPPL has manufacturing facilities right from Fibre to Made-ups.

Stable operating performance and profitability

KPPL reported a stable operating performance with Total Operating Income increasing by 15% y-o-y from FY17 to FY18. Exports continued to contribute between 60%-65% of the total sales over the years. During 9MFY19, KPPL reported total sales of Rs. 160.84 crore and is expected to exceed Rs. 200 crore for FY19. Profitability margins continued to remain consistent at moderate levels.

Project risk mitigated due to nearing completion stage of project

KPPL has been undertaking capex to increase its existing capacity and add new product line. The project is nearing completion and started production, however full-fledged production is expected to commence shortly. Majorly finishing work is to be completed in the facilities. The expansion undertaken over last 2-3 years is expected to aid KPPL in increasing its economies of scale. Ability of the company to optimally utilise the expanded capacities and maintain operating profits also to manage working capital cycle effectively would remain a key monitorable.

Key Rating Weaknesses

Leveraged capital structure

KPPL's financial risk profile continued to be marked by a leveraged capital structure and moderate debt coverage indicators remaining similar as on March 31, 2018 as compared to previous year. This is on account of additional term loan availed for executing the capex and increase in working capital requirements.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Raw material volatility

Major raw materials consumed are cotton, poly-cotton, polypropylene, polyester, nylon, etc. On the other hand polyester being a derivative of crude oil is continuously affected by movement in crude oil prices. Hence any adverse volatility in the raw material prices may affect the company's margins.

Foreign exchange fluctuation risk

During FY18, KPPL carried out gross sales of Rs.102.40 crore (63% of its sales) from the overseas market while its imports remained at Rs. 29.74 crore, hence making it a net exporter. Therefore KPPL is exposed to forex risk. However to mitigate impact of forex volatility, KPPL hedges its open forex exposure. Ability to hedge forex risk remains critical from KPPL's profitability perspective.

Liquidity Analysis**Working capital intensive nature of operations**

Major raw materials consumed are cotton, poly-cotton, polypropylene, polyester, nylon, etc. KPPL procures them primarily from the domestic players. Due to relatively long inventory cycle and collection period, liquidity is stretched, resulting in high utilization of the working capital limits. Liquid cash balance maintained by KPPL was Rs. 1.32 crore as on March 31, 2018 and current ratio was 1.08x.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Rating](#)

[CARE's default recognition policy](#)

[Criteria for Short Term Instruments](#)

[Financial ratios - Non Financial Sector](#)

[Rating Methodology-Manufacturing Companies](#)

About the Company

Khosla Profil Pvt Ltd. (KPPL), established by Mr. Pramod Khosla and his family members, started operations in 1979. KPPL is engaged in manufacturing of industrial and technical fabrics filter fabrics, air slide fabrics, etc. which are made from cotton, polypropylene, polyester, etc. The company has a presence right from weaving (filter fabrics) to dyeing/processing to made-ups (filtration bags). Its main manufacturing facilities are located at Wada, Maharashtra.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	144.13	166.26
PBILDT	24.71	28.77
PAT	6.28	7.90
Overall gearing (times)	2.24	2.43
Interest coverage (times)	3.18	3.40

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	Mar-24	33.97	CARE BBB; Stable
Fund-based - ST-EPC/PSC	-	-	-	20.00	CARE A3+
Fund-based - ST-FBN / FBP	-	-	-	20.00	CARE A3+
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE BBB; Stable
Fund-based - ST-Working Capital Limits	-	-	-	1.00	CARE A3+
Non-fund-based - ST-Letter of credit	-	-	-	14.00	CARE A3+
Non-fund-based - ST-Bank Guarantees	-	-	-	1.00	CARE A3+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	33.97	CARE BBB; BBB; Stable	1)CARE BBB; Stable (03-May-18)	1)CARE BBB; Stable (05-Feb-18)	1)CARE BBB-; Stable (01-Mar-17) 2)CARE BBB- (05-May-16)	-
2.	Fund-based - ST-EPC/PSC	ST	20.00	CARE A3+	1)CARE A3+ (03-May-18)	1)CARE A3+ (05-Feb-18)	1)CARE A3 (01-Mar-17) 2)CARE A3 (05-May-16)	-
3.	Fund-based - ST-FBN / FBP	ST	20.00	CARE A3+	1)CARE A3+ (03-May-18)	1)CARE A3+ (05-Feb-18)	1)CARE A3 (01-Mar-17) 2)CARE A3 (05-May-16)	-
4.	Fund-based - LT-Cash Credit	LT	10.00	CARE BBB; BBB; Stable	1)CARE BBB; Stable (03-May-18)	1)CARE BBB; Stable (05-Feb-18)	1)CARE BBB-; Stable (01-Mar-17) 2)CARE BBB- (05-May-16)	-
5.	Fund-based - ST-Working Capital Limits	ST	1.00	CARE A3+	1)CARE A3+ (03-May-18)	1)CARE A3+ (05-Feb-18)	1)CARE A3 (01-Mar-17) 2)CARE A3 (05-May-16)	-
6.	Non-fund-based - ST-Letter of credit	ST	14.00	CARE A3+	1)CARE A3+ (03-May-18)	1)CARE A3+ (05-Feb-18)	1)CARE A3 (01-Mar-17) 2)CARE A3 (05-May-16)	-
7.	Non-fund-based - ST-Bank Guarantees	ST	1.00	CARE A3+	1)CARE A3+ (03-May-18)	1)CARE A3+ (05-Feb-18)	1)CARE A3 (01-Mar-17) 2)CARE A3 (05-May-16)	-

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