

Khosla Profil Private Ltd

March 1, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	27.39	CARE BBB-;Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	45.00	CARE A3 (A Three)	Reaffirmed
Total Bank Facilities	72.39 (Rs. Seventy two crore and thirty nine lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & key rating drivers

The reaffirmation of ratings assigned to bank facilities of Khosla Profil Private Limited (KPPL) continues to derive strength from the experience of the promoters in the technical textile business, diversified product profile and moderate profitability margins. The ratings also factor in stagnation in revenue growth and profitability margins in FY16 (refers to period from April 01 to March 31).

The ratings however continue to be constrained by leveraged capital structure and working capital intensive nature of operations. The ratings are also constrained by 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, improve its profitability margins and capital structure remains the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters: Khosla Profil Pvt. Ltd. (KPPL) was established in 1979 by Mr. Pramod Khosla and his family members. 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). It has an aggregate installed capacity of 97 looms spread over two units at Wada, Thane; Maharashtra. KPPL is currently managed by Mr. Pramod Khosla (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 has a diversified product profile. 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 like chemicals, mining and metals, tyres, pharmaceuticals, automobiles, oil refineries, petrochemicals, etc.

Stable operating performance: The major export markets of KPPL are USA, Australia, UK, Turkey and Hong Kong. KPPL's net sales declined marginally by 0.65% during FY16 on account of dip in export demand. PAT margin also declined marginally in FY16 as higher depreciation was charged on account of new plant and machinery installed during the year to expand its weaving, warping and stitching capacity.

Key Rating Weaknesses

Leveraged capital structure with marginally declining debt coverage ratios: KPPL's financial risk profile is marked by a leveraged capital structure and moderate debt coverage indicators. Overall gearing increased from 2.44x as on March 31, 2015 to 2.58x as on March 31, 2016. The decline in debt coverage indicators was on account of increase in debt, as KPPL availed a term loan for capex. The capex mainly includes addition of weaving looms, sewing machines and non-woven machines.

Raw material volatility and foreign exchange risk: Major raw materials consumed are cotton, poly-cotton, polypropylene, polyester, nylon etc. KPPL procures them primarily from the domestic players. It is also exposed to volatility in raw material prices and foreign exchange fluctuation risk.

Working capital intensive nature of operations: KPPL's operations are highly working capital intensive. Average inventory period is 82 days as the company stocks cotton, polyester, polypropylene, etc in view of anticipated demand.

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) was established in 1979 by Mr. Pramod Khosla and his family members. 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). It has an aggregate installed capacity of 97 looms spread over two units at Wada, Thane; Maharashtra.

During FY16, KPPL posted a total operating income of Rs.114.56 crore (vis-à-vis Rs.116.77 crore in FY15) and PAT of Rs.3.55 crore (vis-à-vis PAT of Rs.3.66 crore in FY15).

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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About CARE Ratings:

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Disclaimer

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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	-	-	Sept 2022	19.89	CARE BBB-; Stable
Fund Based - ST-EPC/PSC	-	-	-	14.50	CARE A3
Fund Based - ST-FBN / FBP	-	-	-	14.50	CARE A3
Fund Based - LT-Cash Credit	-	-	-	7.50	CARE BBB-; Stable

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 - 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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund Based - LT-Term Loan	LT	19.89	CARE BBB-; Stable	1)CARE BBB- (05-May-16)	-	1)CARE BBB- (18-Mar-15)	1)CARE BBB- (03-Mar-14) 2)CARE BBB- (12-Apr-13)
2.	Fund Based - ST-EPC/PSC	ST	14.50	CARE A3	1)CARE A3 (05-May-16)	-	1)CARE A3 (18-Mar-15)	1)CARE A3 (03-Mar-14) 2)CARE A3 (12-Apr-13)
3.	Fund Based - ST-FBN / FBP	ST	14.50	CARE A3	1)CARE A3 (05-May-16)	-	1)CARE A3 (18-Mar-15)	1)CARE A3 (03-Mar-14) 2)CARE A3 (12-Apr-13)
4.	Fund Based - LT-Cash Credit	LT	7.50	CARE BBB-; Stable	1)CARE BBB- (05-May-16)	-	1)CARE BBB- (18-Mar-15)	1)CARE BBB- (03-Mar-14) 2)CARE BBB- (12-Apr-13)
5.	Fund Based - ST-Working Capital Limits	ST	1.00	CARE A3	1)CARE A3 (05-May-16)	-	1)CARE A3 (18-Mar-15)	1)CARE A3 (03-Mar-14) 2)CARE A3 (12-Apr-13)
6.	Non-Fund Based - ST-Letter of credit	ST	14.00	CARE A3	1)CARE A3 (05-May-16)	-	1)CARE A3 (18-Mar-15)	1)CARE A3 (03-Mar-14) 2)CARE A3 (12-Apr-13)
7.	Non-Fund Based - ST-Bank Guarantees	ST	1.00	CARE A3	1)CARE A3 (05-May-16)	-	1)CARE A3 (18-Mar-15)	1)CARE A3 (03-Mar-14) 2)CARE A3 (12-Apr-13)

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