



Press Release

Krivi-Tex Private Limited

October 04th, 2023

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	14.10	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	34.10	IVR A3 (IVR A Three)	Assigned	Simple
Proposed Bank Facilities	26.80	IVR BBB-/Stable; IVR A3 (IVR Triple B Minus with Stable Outlook & IVR A Three)	Assigned	Simple
Total	Rs.75.00 crore (Rupees Seventy- Five Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Krivi-Tex Private Limited derive strength from experienced promoters with demonstrated funding support to KTPL, stable revenue growth and profitability margins, comfortable capital structure and strong order book. The rating is however constrained on account of elongated working capital cycle and stiff competition & low entry barriers to trading and the volatile nature of yarn prices.

Key Rating Sensitivities:

Upward Factors

- Significant & sustained increase in scale of operations with improvement in profitability and debt protection metrics.

Downward Factors

- Substantial decline in the revenue and profitability leading to sustained decline in the debt protection metrics and/or liquidity profile.
- Significant deterioration in working capital cycle.



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List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Experienced promoters with demonstrated funding support to KTPL

Mr. Raj Bhalala having decades of experience in the textile industry, while Ms. Rita Bhalala having a more than decade of experience in a solar industry. The two promoters' extensive experience has aided in their ability to build relationships with suppliers and clients and to obtain repeat business. They are well supported by a team of qualified and experienced professionals. The promoters also demonstrated their financial support through unsecured loans, which stood at Rs.10.30 crore as on March 31, 2023 (Rs.5.35 crore as on March 31, 2022), for working capital requirements.

Stable revenue growth and profitability margins

The total operating income of Krivi-Tex Private Limited has grown at (CAGR) of 39% during the past four years ended as on March 31, 2023, further on year-on-year basis the total operating income has improved by ~29% to Rs.147.51 crore in FY23 (A) {vis-à-vis Rs.104.09 crore in FY22} this growth is attributed to increase in number of orders received and executed. The EBITDA margin has improved to 5.58% in FY23, as against 3.92% in FY22, the reason for improvement in EBITDA is the decision made by the company's directors in FY21 to not take remuneration as part of a focused effort to prioritize the company's growth. Subsequently, in FY22, the company has shown significant revenue growth, which allowed the directors to take their remuneration. This decision leads to a marginal decline in the EBITDA margin for FY22. However, the company has efficiently stabilized its margins more than 5% in FY23 and it will steady further on account of increase in operating income as the company had comfortable order book position of Rs.466.76 crore as on date August 31st, 2023.

Comfortable capital structure

Company has unsecured loans of Rs.10.30 crore which is subordinated to the bank loans, and we treated as a quasi-equity. The tangible net worth including quasi equity has increased to Rs.24.52 crore as on March 31, 2023, as against Rs.15.88 crore as on March 31, 2022. The capital structure of the company marked by overall gearing ratio (including quasi) has marginally improved to 0.64x as on March 31, 2023 (vis-à-vis 0.87x as on March 31, 2022), due to stable accretion of profit to reserves. TOL/TNW has remained moderate at 2.06x in



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FY23 as against 2.01 in FY22 due to higher utilization of working capital limits as on balance sheet date and it utilize around 81% during the year.

Strong order book

Company has an integrated order book for solar panels and knitted fabric of Rs.466.76 crore as on 31st August 2023, which gives medium term revenue visibility, and majority of the orders are from solar segment and also this order will execute in next 6 to 12 months.

B. Key Rating Weaknesses

Elongated working capital cycle

The operating cycle remains moderate due to higher receivable days standing at 99 days in FY23 (Audited). The collection period is high because company provides credit period for solar segment client is 60 to 90 days and for fabric segment clients, they give maximum of 120 days. The operating cycle in the projected period FY24-26 is expected to be in the range of 50-60 days.

Stiff competition & low entry barriers to trading and the volatile nature of yarn prices

The spectrum of the textile industry in which the Company operates is highly fragmented and competitive due to the presence of numerous players in India owing to relatively low entry barriers. Most players in the industry thus do not have pricing power. On the raw material side, the prices of cotton are determined by the demand and supply situation and minimum support prices announced by the Government.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Criteria on Default Recognition](#)

[Criteria of assigning rating outlook](#)

[Rating methodology for Trading companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity: Adequate



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The liquidity of the company remains adequate as evidenced by gross cash accruals of Rs.3.95 crore in FY23 against repayment obligations of Rs.1.24 crore. The company is expected to generate adequate cash accruals to cover the debt obligation during FY24-FY26. The average working capital utilization stood at ~81% during the 12 months ended August 2023. The current ratio stood at 1.40x as on March 31, 2023. The liquidity position of the company is expected to remain adequate in the near term, as company is generating sufficient cash accruals against its long-term debt obligations.

About the company

Krivi-Tex Private Limited is a trading company incorporated in 2013 by Ms. Rita Bhalala and Mr. Raj Bhalala. The company is headquartered in Mumbai, India. Krivi-Tex initially started trading in the field of solar panels in 2013. The company's solar products include photovoltaic (PV) solar cells, mono solar cells, solar panels, lithium-ion batteries, solar panel frames, solar chargers, solar water pumps, and inverters. In 2018, Krivi-Tex diversified into the field of knitted fabrics. The company now trades in a wide range of cottons, including poly spandex cotton, nylon, polyester, and knitted fabrics. Currently company has entered the EPC space in Solar business. Mr. Veer Bhalala will lead the new Solar EPC division.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	104.09	147.51
EBITDA	4.08	8.23
PAT	1.80	3.76
Total Debt	13.70	15.64
Adjusted Tangible Net worth	15.88	24.52
Ratios		
EBITDA Margin (%)	3.92	5.58
PAT Margin (%)	1.71	2.55
Overall Gearing Ratio (x)	0.86	0.64

*Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: None

Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Bank Facilities	Long Term	14.10	IVR BBB-/Stable	-	-	-
2.	Short Term Bank Facilities	Short Term	34.10	IVR A3	-	-	-
3.	Proposed Bank Facilities	Long Term / Short Term	26.80	IVR BBB-/Stable; IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long term fund-based – Cash Credit	--	--	Revolving	14.10	IVR BBB-/Stable
Short Term non-fund based – Inland / Import Letter of Credit	--	--	--	24.10	IVR A3
Short Term non-fund based – Specific Inland/Import Letter of Credit	--	--	--	10.00	IVR A3
Proposed Bank Facilities	--	--	--	26.80	IVR BBB-/Stable; IVR A3



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Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Krivi-oct23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.