



## Press Release

### K&D Design Kraft LLP

January 23, 2025

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	14.90	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	-	Assigned	<a href="#">Simple</a>
Short Term Bank Facilities	20.00	IVR A4 (IVR A Four)	-	Assigned	<a href="#">Simple</a>
Long Term/ Short Term Bank Facilities-Proposed	10.00	IVR BB-/Stable/A4 (IVR Double B Minus with Stable Outlook / IVR A Four)	-	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>44.90</b>	<b>Rupees Forty-Four Crore and Ninety Lakh Only</b>			

Details of Facilities/Instruments are in Annexure 1.

Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics Ratings has assigned its rating for long term facilities as IVR BB- with Stable outlook and short-term rating as IVR A4 for the bank facilities of K&D Design Kraft LLP.

The rating draws comfort from experienced partners along with strong firm structure and established relationships with reputed international clientele. However, these strengths are partially offset by extensive competition in the garment business, exposure to foreign exchange rate fluctuations owing to export driven revenue profile and constitutional risk of a Limited Liability Partnership.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes that the firm's business & financials risk profile will be maintained over the medium term on the back of its experienced promoters and growing scale of operations.



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IVR has principally relied on the audited financial results of K&D Design Kraft LLP up to FY24 (refers to period from April 01 to March 31) and projected financials for FY25, FY26 and FY27, along with publicly available information/ clarifications provided by the firm's management.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial and sustained growth in operating income and improvement in profitability.
- Improvement in the capital structure and further improvement in debt protection metrics.

#### **Downward Factors**

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced Partners and Strong Firm Structure**

The firm, incorporated in October 2021, is led by experienced professionals. Mr. Surender Malhotra, with 40 years in the packaging industry, oversees production and administration. Mrs. Usha Malhotra, with 40 years of banking experience, handles financial management. Mr. Dhruv Kohli, has 10 years of garment export expertise, managing marketing and production. Assisted by their daughter, Mrs. Kanika Kohli, a CPA, the leadership team ensures efficient operations and strategic growth. Additionally, the firm has a team of qualified and experienced professionals in key functional areas that are responsible for various functions/ aspects of the day-to-day functions.

##### **Established Relationship with Reputed International Clientele**

The firm has established strong relationships with renowned high-end fashion brands across the UK, USA, and Europe, generating significant export revenue. Key clients include Best Seller, Monsoon Brands, Fatface Limited, John Lewis PLC, Vero Moda, Phase Eight, and Crew Clothing. The top five customers account for 87.76% of the firm's sales, highlighting its



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ability to cater to brands and maintain strong customer loyalty, reinforcing the firm's market position in the fashion industry. Additionally, the firm holds an order book of Rs. 38.19 crore, to be executed by March 2025.

### **Key Rating Weaknesses**

#### **Extensive Competition in the Garment Business**

The firm faces intense competition from established brands in the garment sector, with more players entering the textile industry, giving customers a wider range of choices. The fragmented and unorganized nature of the apparel manufacturing and retailing sectors further intensifies competition. Many manufacturers rely on a limited customer base, leading to geographic concentration risks. Additionally, the growth of international brands in the Indian market has heightened competition, challenging domestic brands to maintain their market share.

#### **Exposure to Foreign Exchange rate fluctuations owing to export driven revenue profile**

As the firm generates majority of its revenues from UK and Europe and is thus exposed to foreign currency fluctuation risks on its export receivables. The foreign exchange risk will be affected by changes in the exchange rates between currencies. However, the foreign exchange risk is mitigated to some extent as the firm is availing the forward contract limit.

#### **Constitutional Risk of a Limited Liability Partnership**

Being a partnership firm, it is exposed to inherent risks of capital being withdrawn at a time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partners. Additionally, partnership firms have restricted access to external borrowing as credit decision of the lenders is largely dependent on credit worthiness of the partners.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)



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### Financial Ratios & Interpretation (Non- Financial Sector)

#### **Liquidity: Adequate**

The firm has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The firm generated gross cash accruals of Rs. 0.36 crore in FY2024 against its maturing debt obligations of Rs. 0.11 crore for the same period. Further, the cash accruals of the firm are projected to remain in the range of Rs. 1.46 crore- Rs. 5.08 crore against its maturing debt obligations of Rs. 0.04 crore-Rs. 0.08 crore during FY 2025-27. The working capital limits remained moderately utilized at ~37% in the twelve months ended November 2024. Current ratio remains comfortable at 1.51x as on March 31, 2024.

#### **About the Company**

M/S K & D Design Kraft LLP ('the firm'), established in the year 2021, is engaged in the manufacture and export of readymade garments. It exports its products to international fashion houses and retail chains throughout the world, predominantly in United Kingdom, United States and Europe. The firm is presently operating from two factories in Gurgaon with a total installed capacity of 20.11 Lac pieces per annum.

#### **Financials (Standalone):**

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	133.04	103.24
EBITDA	2.18	2.34
PAT	0.33	0.20
Total Debt	18.56	25.89
Tangible Net Worth	20.38	8.83
EBITDA Margin (%)	1.64	2.26
PAT Margin (%)	0.25	0.20
Overall Gearing Ratio (x)	0.91	2.93
Interest Coverage (x)	1.47	1.09

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Nil



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### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022
1.	Fund Based	Long Term	14.90	IVR BB-/Stable	-	-	-
2.	Fund Based	Short Term	19.00	IVR A4	-	-	-
3.	Non-Fund Based	Short Term	1.00	IVR A4	-	-	-
4.	Fund Based-Proposed	Long Term/Short Term	10.00	IVR BB-/Stable/A4	-	-	-

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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.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	14.90	IVR BB-/Stable
Packing Credit	-	-	-	-	19.00	IVR A4
Forward Contract	-	-	-	-	1.00	IVR A4
Proposed Cash Credit/ Packing Credit	-	-	-	-	10.00	IVR BB-/Stable/A4

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-kddesign-jan25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated/Combined analysis:** 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](http://www.infomerics.com).