



Press Release

Kids Impex

January 20, 2021

Ratings

Sl. No.	Facilities	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities- Fund Based	5.76	IVR B+/Stable Outlook (Pronounced as IVR Single B Plus with Stable Outlook)	Assigned
2.	Short Term Bank Facilities- Fund Based	4.00	IVR A4/Stable Outlook (Pronounced as IVR Single A Four)	Assigned
3.	Proposed Short Term Bank Facility- Fund Based	0.40	IVR A4 (Pronounced as IVR Single A Four)	Assigned
	Total	10.16		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Kids Impex (KI) drives comfort from the rich experience of the proprietor of almost three decades and established relationships with its customer, and comfortable financial risk profile. However, the ratings are constrained by modest scale of operations, customer concentration in the revenue, susceptibility of profitability to volatility in the raw material prices, fragmented nature of the industry, and constitution of the entity as a proprietorship concern.

Key Rating Sensitivities:

Upward Factor:

- Substantial improvement in the scale of operations and EBITDA margin leading to improvement in the debt protection metrics.

Downward factor:

- Any decline in the revenue and/or profitability.
- Significant deterioration in debt protection parameters.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Rich experience of the proprietor and established relationship with its customer:** The operations of KI is managed by Mr. Eswaramurthy who is the sole proprietor of the concern. He has rich experience of almost three decades in the textile industry which gives the concern an advantage of delivering quality products to its customer and due to which the concern has maintained a strong relationship with its major customer located in Denmark.
- **Comfortable financial risk profile:** The financial risk profile of the concern was comfortable marked by moderate gearing levels and above-average debt protection metrics. Overall gearing ratio and TOL/TNW eased at 1.25x and 2.92x respectively as per FY 2020 (provisional) as against 1.62x and 3.60x respectively in FY 2019. Furthermore, the debt protection metrics were also at above-average levels marked by interest coverage and DSCR of 2.06x and 4.91x respectively as per FY 2020 (provisional) when compared with 1.38x and 2.97x respectively in FY 2019. It is expected that the financial risk profile will improve and remain at the comfortable position in the short to medium term.

Key Rating Weaknesses

- **Modest scale of operations:** The scale of operations of the concern is modest marked by the total operating revenue of Rs. 37.99 crore as per FY 2020 (provisional) in comparison with its peers. However, the revenue of the concern is expected to grow at a CAGR of 8%-10% in the medium term in view of healthy order book position.



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- **Customer concentration in revenue:** The concern's business risk profile is challenged by the concentration risk pertaining to its customer as 90% of the sales is to the one client in Denmark.
- **Susceptibility of profitability to volatility in raw material prices:** As yarn is the basic raw material required by the firm to produce fabric so any increase in the prices of yarn would have an impact on the EBITDA margin.
- **Fragmented nature of the industry:** Kids Impex operates in an industry which is highly fragmented in nature with a number of players. The players in the industry do not have pricing power and are exposed to the competition induced pressure on the profitability.
- **Constitution of the entity as proprietorship concern:** KI is established as proprietorship concern which has an impact on the credit risk profile as the proprietor may withdraw the capital in case of personal exigency impacting the overall capital structure of the concern.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The concern has the stretched liquidity profile marked by the current ratio and the quick ratio below unity as per FY 2020 (provisional). However, the average utilization of the working capital remains at approximately 75% during the twelve months ended Dec 2020 which provides some cushioning to the liquidity.

About the Entity

M/s Kids Impex is a Tirupur, Tamil Nadu based proprietorship concern which was established in 2013. The concern manufactures kids garments and exports it to the Denmark



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and France, Denmark accounts for 90% of the concern's exports and France accounts for 6%-7% of the firm exports. The major raw material required by the firm is yarn. The yarn is converted to fabric through knitting. The knitted garment is sent for dyeing and finally the finished garments are exported, entire operations takes around 20 days (obtaining yarn to exporting garments). The fabrication and embroidery process is in-house while the concern outsources the dyeing part.

Installed capacity of the concern's plant is 15000 pieces per day and it is operational at 100% capacity. Mr. Esawaramurthy is the sole proprietor of the concern and carried rich experience of almost three decades in the textile industry. Kids Impex has three other group firms viz M/s Kids Fashion, M/s Kids Global and M/s VKS Trading in which Mr. Esawaramurthy and his wife are partners.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2020	31-03-2019
	Provisional	Audited
Total Operating Income	37.99	31.72
EBITDA	1.38	1.65
PAT	0.89	0.84
Total Debt	12.31	12.32
Tangible Net worth	9.86	7.63
EBITDA Margin (%)	3.64	5.19
PAT Margin (%)	2.19	2.51
Overall Gearing Ratio (x)	1.25	1.62

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Issuer not cooperating by BWR vide press release dated March 23, 2020 due to non-availability of information.

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan (O/s)	Long Term Fund Based	1.76	IVR B+/Stable	-	-	-
2.	Packing Credit		4.00		-	-	-
3.	FUBP/FBD	Short Term-Fund Based	4.00	IVR A4	-	-	-
4.	Proposed FUBP/FBD		0.40		-	-	-

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Akshay Rastogi
Tel: (011) 24611149
Email: akshay.rastogi@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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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 Bank Facility – Term Loan (O/s)	-	-	-	1.76	IVR B+/Stable
Long Term Bank Facility – Packing Credit	-	-	-	4.00	
Short Term Bank Facility- FUBP/FBD	-	-	-	4.00	IVR A4
Proposed Short Term Bank Facility- FUBP/FBD	-	-	-	0.40	