



**Press Release**  
**EXIM KNITS PRIVATE LIMITED**  
**August 05, 2024**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BB   Stable   Assigned	-
Bank Loan Ratings	5.00	-	ACUITE A4+   Assigned
Total Outstanding Quantum (Rs. Cr)	45.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 45 Cr. of Bank loan facilities of Exim Knits Private Limited (EKPL). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating reflects the company's established track record in the fabric and garments manufacturing industry, consistent orders from prominent clients like Aditya Birla Fashion, Page Industries, and Modenik Lifestyle, and a robust outstanding order book. However, the rating is constrained by a below-average financial risk profile, the working capital-intensive nature of operations, and the vulnerability of profitability to raw material price fluctuations.

**About the Company**

Incorporated in 1999, Exim Knits Private Limited is engaged in the manufacturing, trading and processing of readymade garments and other textile products. The company is based in Tamil Nadu. The present directors of the company are Mr. Palaniappan Kumarasamy, Mr. Palaniappan Padmanabhan and Mr. Palaniappa Mudaliar Thangavelu.

**Unsupported Rating**

Not applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of Exim Knits Private Limited (EKPL).

## **Key Rating Drivers**

### **Strengths**

#### **Established track record of operations**

The company has more than three decades of experience in fabric and garment manufacturing. EKPL is currently managed by Mr. Palaniappan Padmanabhan, Mr. Palaniappan Kumaraswamy and Mr. Palaniappa Mudaliar Thangavelu . Company is into manufacturing and sale of readymade garments and fabrics. Company's manufacturing process includes knitting, dyeing, cutting, printing, embroidery, sewing and finishing. The extensive experience of promoters has helped the company establish long-term relationships

with its customers and suppliers for repeat orders. Company executes works on order basis to customers like Aditya Birla fashion and Retail, Page Industries Ltd and Modenik Lifestyle Pvt Ltd. EKPL also exports its products to USA, Europe, UAE, Sri Lanka and Bangladesh. Acuite believes that EKPL may continue to benefit from its established track record of operations and longstanding relationships with its customers and suppliers.

### **Healthy orders from marquee clients indicating healthy revenue visibility**

EKPL executes orders for marquee customer like Aditya Birla, Page Industries and Modenik Lifestyle. Orders from these players account for majority portion of order book. EKPL has unexecuted order book of Rs.43.06 Cr. as on June'2024 which are expected to be executed by Q2FY25. Company is focusing on market penetration and repeat orders from existing customers. Company has registered the revenue of Rs.28.92 Cr. until June'2024. Considering the current year performance and outstanding order book, EKPL is expected to register notable revenue growth in medium term.

## **Weaknesses**

### **Below average financial risk profile**

EKPL's financial risk profile is below average marked by below average capital structure and moderate coverage indicators. EKPL's net-worth stood modest at Rs.14.24 Cr. as on 31 March 2023 as against Rs.12.28 Cr. as on 31 March 2022. Increase in net worth is due to accretion of profits during the year. Networth is estimated to be around Rs.17.53 Cr. as on March 31st 2024 (estimated). The total debt of Rs.46.38 Cr. as on March 2023 consists of long-term debt of Rs. 23.43 Cr, USL of Rs.5.29 Cr. and short-term debt of Rs. 17.61 Cr. The debt protection metrics stood moderate with Interest coverage ratio (ICR) and Debt service coverage ratio (DSCR) at 1.86 times and 1.57 times respectively for FY2023 as against 2.15 times and 2.00 times respectively for FY2022. ICR and DSCR are estimated at 2.67 times and 2.33 times respectively for FY2024 (estimated). The net cash accrual (NCA) to total debt (TD) is 0.06 times as on March 31st 2023 as against 0.10 times as on March 31 2022. The net cash accrual (NCA) to total debt (TD) for FY2024 (estimated) is estimated at 0.12 times. The total outside liabilities to tangible net worth (TOL/TNW) stood at 5.04 times as on March 31 st 2023 as against 6.78 times as on March 31 st 2022. Total outside liabilities to tangible net worth (TOL/TNW) is estimated to be 4.32 times as on March 31st 2024 (estimated).

Acuite believes that company's financial risk profile remains below average in the medium term.

### **Working capital intensive nature of operations**

EKPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of 185 days in FY2023 as against 222 days in FY2022 and 252 days in FY 2021. GCA days are majorly driven by inventory days and debtors' days. The inventory days of the company stood at 112 days in FY2023 as against 134 days in FY2022 and 147 days in FY2021. Inventory days are estimated to be around 152 days in FY24. Debtor days of the company stood at 50 days in FY2023 as against 58 days in FY2022 and 57 days in FY2021. They are estimated to be around 47 days in FY24. Creditor days of the company stood at 159 days in FY2023 as against 180 days in FY2022 and 176 days in FY2021. Estimated around 158 days in FY24. Moderately intensive working capital management and moderate accruals lead to high utilization of its working capital limits at about 98.97 percent over 12 months ending May'2024.

Acuite believes that working capital operations of the company will continue to remain intensive in medium term.

### **Susceptible to volatility in raw material prices**

EKPL's profitable margins are susceptible to fluctuations in the prices of major raw materials such as yarn. The main raw material purchased by the company is yarn. Prices of yarn are subject to cotton prices. Cotton being an agricultural commodity by nature, the margins are susceptible to changes in cotton prices. Cotton availability and price of the same is highly dependent on agro-climatic conditions. Despite the prevalence of Minimum Support Price (MSP), the purchase price depends on the prevailing demand-supply situation, which limits

bargaining power with the suppliers as well. As a result, the business is exposed to fluctuations in the commodities prices.

## Rating Sensitivities

### Positive

- Sustainable improvement in Revenue and Profitability
- Efficiency in working capital management.

### Negative

- Any deterioration in working capital cycle leading to stretch in liquidity
- Any deterioration in Revenue profile and leverage position

## Liquidity Position: Adequate

EKPL's liquidity is adequate marked by comfortable cash accruals to its debt obligations. It reported cash accruals of Rs.2.85 Cr. in FY2023, its accruals are expected in the range of Rs 5.86 to 10.72 Cr. in FY2024-26 against its repayment obligations of Rs.3.06-5.95 Cr. during the same period. The current ratio of the company stands at 1.20 times and cash and bank balances stood at Rs.0.17 Cr. as on March 31, 2023. Company's GCA days are around 185 days this makes it dependent on bank borrowing for working capital requirement. Average bank limit utilization stood at 98.97 percent over the last 12 months ending May 2024. Unencumbered Cash and bank balances stood at Rs.0.17 Cr. as on March 31, 2023.

## Outlook: Stable

Acuité believes that EKPL will maintain 'Stable' outlook over the medium term due to extensive experience of its promoters, healthy growth in sales and healthy order book. The outlook may be revised to 'Positive' if the company registers expected or higher-than expected growth in revenues and profitability while improving its financial risk profile and achieving efficiency in working capital management. Conversely, the outlook may be revised to 'Negative' in case of company's inability to achieve the expected increase in revenue and profitability or deterioration in overall financial risk profile and working capital operations.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	95.17	94.27
PAT	Rs. Cr.	0.39	1.92
PAT Margin	(%)	0.41	2.04
Total Debt/Tangible Net Worth	Times	3.26	4.01
PBDIT/Interest	Times	1.86	2.15

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History :

Not applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Karur Vysya Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.50	ACUITE BB   Stable   Assigned
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE BB   Stable   Assigned
Karur Vysya Bank	Not avl. / Not appl.	Covid Emergency Line.	14 Sep 2020	Not avl. / Not appl.	05 Nov 2025	Simple	3.85	ACUITE BB   Stable   Assigned
Karur Vysya Bank	Not avl. / Not appl.	Covid Emergency Line.	29 Sep 2021	Not avl. / Not appl.	29 Sep 2026	Simple	2.91	ACUITE BB   Stable   Assigned
Karur Vysya Bank	Not avl. / Not appl.	FBN/FBP/FBD/PSFC/FBE	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A4+   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.21	ACUITE BB   Stable   Assigned
Karur Vysya Bank	Not avl. / Not appl.	Term Loan	19 Feb 2018	Not avl. / Not appl.	19 Dec 2028	Simple	3.72	ACUITE BB   Stable   Assigned
Karur Vysya Bank	Not avl. / Not appl.	Term Loan	19 Feb 2018	Not avl. / Not appl.	10 Jan 2029	Simple	1.54	ACUITE BB   Stable   Assigned
Karur Vysya Bank	Not avl. / Not appl.	Term Loan	19 Feb 2018	Not avl. / Not appl.	19 Dec 2028	Simple	4.23	ACUITE BB   Stable   Assigned
Karur Vysya Bank	Not avl. / Not appl.	Term Loan	19 Feb 2018	Not avl. / Not appl.	07 Jun 2028	Simple	2.04	ACUITE BB   Stable   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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