

March 31, 2023

Kitex Garments Limited: Change in Limits

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short term - Fund-based Limits – Working Capital Facilities	182.00	182.00	[ICRA]A1 outstanding
Short term - Non-Fund based Limits – Working Capital Facilities	20.00	20.00	[ICRA]A1 outstanding
Long term/Short term - Unallocated	41.02	23.02	[ICRA]A+ (Stable)/ [ICRA]A1 outstanding
Short term - Non-Fund based Limits – Credit Exposure Limits	-	18.00	[ICRA]A1 outstanding
Total	243.02	243.02	

*Instrument details are provided in Annexure-I

Rationale

This rationale is being released to convey the change in the rated limits as depicted in the table above, based on the latest information received from the entity.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Indian Textiles Industry – Apparels Rating approach - Consolidation
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the business and financial risk profiles of Kitex Garments Limited and Kitex Childrenswear Limited (collectively referred to as the Kitex Group), owing to the common management and strong linkages

About the company

Kitex Garments Limited (KGL) was incorporated in 1992 and is managed by Mr. Sabu Jacob. The company is a part of the larger AnnaKitex Group, which has diversified interests across various sectors. KGL, along with its Group company, KCL (which holds a 15.9% stake in KGL), manufactures and exports infantwear to apparel retailers based out of the US and other developed markets. The Group has a fully integrated manufacturing facility at Kizhakkambalam (Kerala) with a capacity to manufacture around 235 million pieces per annum. The Kitex Group established a marketing and design unit based out of the US in FY2015 (equally held by KGL and KCL) to diversify its business profile and reduce dependence on its key customers. The Group is in the process of setting up two new large integrated manufacturing units in Telangana across two phases in Warangal and Sitarampur, which are expected to fully commercialise by December 2023 and December 2024, respectively. While the unit at Warangal is likely to continue to cater to the childrenswear segment, the Group proposes to diversify into other products including infant socks, fleece garments and premium T-shirts and innerwear for adults from the unit at Sitarampur.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years							
		Amount rated (Rs. crore)	Amount outstanding as of Mar 28, 2023 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021	Date & rating in FY2020		
				Mar 31, 2023	Mar 04, 2022	Oct 01, 2021	Jul 20, 2021	Nov 11, 2020	Oct 04, 2019		
1	Fund-based Limits – Working Capital Facilities	Short Term	182.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A1+@	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Non-Fund based Limits – Working Capital Facilities	Short Term	20.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A1+@	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
3	Unallocated	Long Term / Short Term	23.02	-	[ICRA]A+(Stable)/ [ICRA]A1	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]AA- @/ [ICRA]A1+@	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+
4	Non-Fund based Limits – Credit Exposure Limits	Short Term	18.00	-	[ICRA]A1	-	-	-	-	-	-

@: rating watch with negative implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based - working capital facilities	Very Simple
Non-fund based working capital facilities	Very Simple
Unallocated limits	Not Applicable
Non-fund based Credit Exposure Limits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based Limits – Working Capital Facilities	NA	NA	NA	182.00	[ICRA]A1
NA	Non-Fund based Limits – Working Capital Facilities	NA	NA	NA	20.00	[ICRA]A1
NA	Unallocated	NA	NA	NA	23.02	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Non-Fund based Limits – Credit Exposure Limits	NA	NA	NA	18.00	[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Kitex Herbals Limited	100%	Full Consolidation
Kitex Infantwear Limited	100%	Full Consolidation
Kitex Apparels Limited	100%	Full Consolidation
Kitex USA LLC (note 1)	50%	Equity method
Kitex Apparel Parks Limited	30%	Full Consolidation
Kitex Garments Limited	15.9%	Full Consolidation
Kitex Littlewear Limited (note 2)	-	Full Consolidation
Kitex Babywear Limited (note 2)	-	Full Consolidation
Kitex Socks Limited (note 2)	-	Full Consolidation
Kitex Packs Limited (note 2)	-	Full Consolidation
Kitex Knits Limited (note 2)	-	Full Consolidation
Kitex Kidswear Limited (note 2)	-	Full Consolidation

Source: Company

Note 1 - Kitex USA LLC is a 50:50 joint venture between KGL and KCL

Note 2 – These entities are subsidiaries of KGL

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