

## Kusumgar Limited (Erstwhile Kusumgar Corporates Private Limited)

March 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	18.05	CARE A; Stable	Upgraded from CARE A-; Positive
Long-term / Short-term bank facilities	23.50	CARE A; Stable / CARE A1	Upgraded from CARE A-; Positive / CARE A2+

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings upgrade reflects improvement in the operating and financial performance of Kusumgar Limited (KL) in FY24 (refers to April 01 to March 31) and 9MFY25 and CARE Ratings Limited's (CARE Ratings) expectation of sustained performance in the coming years aided by increasing capacity utilisation, increased share of value-added products and stable demand for its products. KL's scale of operations improved by ~50% YoY to ₹472 crore in FY24 (PY: ₹320 crore) and ~157% y-o-y to ~₹707 crore in 9M FY25 driven by volume growth considering increased capacities and healthy order flow and stable realisations. Its profitability continues to remain healthy with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of over 25% in FY24 and 9MFY25 considering its integrated presence across the value chain. CARE Ratings expects KL's revenue to grow by 10-12% p.a. over the next 2-3 years with continued focus on new product development translating into PBILDT margin sustaining above 25%. The company is undertaking a debt-funded capex of ₹130 crore for further enhancement of its installed capacity, which is planned to be completed by Sep-2025. Timely execution of this capex without major cost and time overrun and subsequent ramp up in its utilisation remains a key monitorable. CARE Ratings also notes the acquisition of Engineered Coated Fabrics Private Limited (ECFPL), an entity erstwhile owned by KL's promoters and engaged in fabric coating job work for KL, for a cash consideration of ₹110 crore in Dec-2024, funded by internal cash reserves. Going forward, sizeable cash outflow towards acquisition/dividend impacting the liquidity position remains a monitorable.

Ratings continue to favourably factor in KL's adequate capital structure reflected by overall gearing of 0.48x and total outside liabilities to total net worth (TOL/TNW) of 1.33x as on March 31, 2024, aided by healthy net worth base, despite increased borrowings. CARE Ratings also considers healthy debt coverage indicators with interest coverage ratio and total debt/PBILDT at 19.78x and 0.94x, respectively in FY24.

Ratings, however, remain constrained due to working capital intensive operations and susceptibility of margins to raw material price volatility and foreign currency exchange rates.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Growth in the scale of operations above ₹1,000 crore while maintaining PBILDT margin above 25% on a sustained basis.
- Improvement in overall gearing below 0.25x on a sustained basis.

#### Negative factors

- Decline in scale of operations below ₹500 crore and PBILDT margin below 20% on a sustained basis.
- Deterioration in overall gearing above 1x on a sustained basis.
- Significant time or cost overrun in the ongoing capex.

### Analytical approach: Consolidated

CARE Ratings has changed the analytical approach from standalone to consolidation while arriving at KL's ratings based on strong operational and financial linkages with its recently acquired sole wholly owned subsidiary, Engineered Coated Fabrics Private Limited, as detailed in Annexure-6.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Outlook: Stable**

The Stable outlook on long-term rating reflects CARE Ratings' expectations that KL will continue to maintain its financial risk profile supported by its superior profitability and lower reliance on external debt. KL's established track record and benefit of successful commencement of ongoing capex shall also supports the financial risk profile.

**Detailed description of key rating drivers:****Key strengths****Diversified and value-added product portfolio supporting healthy return ratios**

Over the years, KL has introduced different product lines to reduce its dependence on defence orders which earlier contributed over 50% to the total revenue. KL's sales reflect a healthy diversity based on end-use application with industrial textiles and defence each contributing 30-40% of revenue in the last three years followed by 10-15% each from outdoor/work wear and speciality textiles. With recent entry in manufacturing finished products of specialty textiles such as parachutes and inflatables, the product profile has further diversified. In FY24, KL took on large size orders from Government of India for supplying customised products. The company's revenue is moderately diversified across regions, with exports contributing 50% (including deemed exports) to the total revenue. KL's focus on value-added textiles with specialised application and geographically diversified sales mix are expected to continue to aid the company in maintaining healthy return ratios with projected return on capital employed above 30% per annum.

**Comfortable financial risk profile**

KL's capital structure remains comfortable considering healthy net worth and moderate utilisation of working capital limits translating into overall gearing of 0.48x (PY: 0.34x) and TOL/TNW of 1.33x (PY: 0.50x) as on March 31, 2024, despite incremental borrowing to fund the ongoing growth capex. The company's debt coverage indicators remain healthy with PBILDT interest coverage ratio of 19.78x (PY: 12.93x) and total debt/PBILDT ratio at 0.94x (PY: 0.82x) in FY24. While KL's capital structure is expected to slightly moderate in the near term due to drawl of term debt for ongoing capex, however, it is expected to remain comfortable backed by healthy expected accruals.

**Experienced promoters in technical textile industry**

The company was incorporated in 1990 by Yogesh Kusumgar, who has over four decades of experience in the technical textile industry and is currently managed by his son, Siddharth Kusumgar (Managing Director). Promoters are ably supported by professional management to run daily operations. Experienced promoters and management are expected to aid in profitably scaling up business in the coming years.

**Key weaknesses****Working capital intensive nature of operations**

KL's operations remain working capital intensive considering elongated operating cycle at 120 days in FY24 (PY: 118 days) due to high collection period and inventory holding requirements. As against extended credit period in the range of 60-90 days to its customers, the company receives credit period of ~30 days from its suppliers. Despite this, the working capital utilisation remains moderate as the company majorly utilises internal accruals for daily operations. Average working capital utilisation stood at ~50% for 12-months ending in December 2024. The company has not witnessed major headwinds for collection of debtors.

**Susceptibility to fluctuation in raw materials prices and fluctuation in foreign exchange rates**

The company's major raw materials used are specialty nylon/polyester yarns; all being derivative of crude oil are continuously affected by movement in crude oil prices. While the company is largely able to pass on raw material price volatility to its customers, substantial price volatility could have a transient impact on KL's margins. The company imports 40%-50% of its raw material requirement, where it gets better credit term of up to 90 days and balance through key domestic players, where it is required to make upfront payments. It also derives 50% of its revenue from exports (including deemed exports). While it is exposed to exchange rate volatility, being a net exporter provides a naturally hedge to some extent.

**Liquidity: Adequate**

KL's liquidity is marked adequate with projected gross cash accruals of ₹140-150 crore p.a. against scheduled repayments of ₹20-25 crore per annum and ongoing/maintenance capex ₹20-25 crore per annum in the next 1-2 years. Its average utilisation of fund-based working capital limits stood at 50% for 12 months ending December 2024 providing adequate liquidity buffer. The current ratio stood at 1.40x and free cash and bank balance of ₹141.50 crore as on March 31, 2024 (mainly due to a sizeable customer advance received close to year-end).

**Applicable criteria**

[Consolidation](#)
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[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)
[Manmade Yarn-Methodology](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles & apparels	Other textile products

KL (erstwhile Kusumgar Corporates Private Limited) is engaged in manufacturing speciality technical textile catering to specialised defence and industrial applications with a focus on research and development. The company has changed its name to present one in January 2025. Its manufacturing facilities are at Surat (weaving and processing) and Vapi (weaving). The company has an integrated business model with capacities for spinning, weaving and processing allowing it to capture a large portion of the value chain. The installed capacity for processing and weaving is 45 million metres per annum and 18 million metres per annum respectively. The company was incorporated in 1990 by Yogesh Kusumgar.

Brief Financials (₹ crore)-Standalone	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	313.96	472.22	706.00
PBILDT	67.10	124.32	190.00
PAT	36.59	81.14	NA
Overall gearing (times)	0.34	0.48	NA
Interest coverage (times)	12.93	19.78	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Note: Consolidated brief financials are not available as company has acquired ECFPL on December 06, 2024.

### Status of non-cooperation with previous CRA:

CRISIL, vide its press release dated November 28, 2024, has retained the credit rating for bank facilities of KL under non-cooperation category citing non-availability of information and non-cooperation by KL.

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2027	18.05	CARE A; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	-	23.50	CARE A; Stable / CARE A1

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	18.05	CARE A; Stable	1)CARE A-; Positive (02-Apr-24)	-	1)CARE A-; Stable (24-Mar-23) 2)CARE A-; Stable (05-Apr-22)	1)CARE BBB+; Stable (05-Apr-21)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	23.50	CARE A; Stable / CARE A1	1)CARE A-; Positive / CARE A2+ (02-Apr-24)	-	1)CARE A-; Stable / CARE A2+ (24-Mar-23) 2)CARE A-; Stable / CARE A2+ (05-Apr-22)	1)CARE BBB+; Stable / CARE A2 (05-Apr-21)

LT: Long term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable****Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Annexure-6: List of entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Engineered Coated Fabrics Private Limited	Full	Wholly owned subsidiary

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

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### About us:

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