

March 31, 2023

## Kitex Childrenswear Limited: Change in Limits

### Summary of rating action

| Instrument*                 | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Action        |
|-----------------------------|--------------------------------------|-------------------------------------|----------------------|
| Short term - Fund-based     | 105.00                               | 105.00                              | [ICRA]A1 outstanding |
| Short term - Non-fund Based | 9.00                                 | 12.00                               | [ICRA]A1 outstanding |
| Short term - Unallocated    | 3.00                                 | 0.00                                | -                    |
| <b>Total</b>                | <b>117.00</b>                        | <b>117.00</b>                       |                      |

\*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 | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">Indian Textiles Industry – Apparels</a><br><a href="#">Rating approach - Consolidation</a>   |
| 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 Childrenswear Limited (KCL) was incorporated in 1991 and is managed by Mr. Sabu Jacob. The company is a part of the larger AnnaKitex Group, which has diversified interests across various sectors. KCL, along with its group company, KGL (KCL 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                                      | Dec 13, 2022 | Mar 04, 2022            | Oct 01, 2021 | Jul 20, 2021 | Nov 11, 2020            | Oct 04, 2019                |                   |                             |
| 1          | Fund-based - working capital facilities   | Short Term               | 105.00  | -   | [ICRA]A1     | [ICRA]A1                | [ICRA]A1     | [ICRA]A1+@   | [ICRA]A1+               | [ICRA]A1+                   | [ICRA]A1+         | [ICRA]A1+                   |
| 2          | Non-fund based working capital facilities | Short Term               | 12.00   | -   | [ICRA]A1     | [ICRA]A1                | [ICRA]A1     | [ICRA]A1+@   | [ICRA]A1+               | [ICRA]A1+                   | [ICRA]A1+         | [ICRA]A1+                   |
| 3          | Unallocated                               | Short Term               | 0.00  | -   | -            | [ICRA]A1                | [ICRA]A1     | -            | -                       | -                           | -                 | -                           |
| 4          | Unallocated                               | Long Term / Short Term   | -   | -   | -            | -                       | -            | -            | -                       | -                           | -                 | [ICRA]AA-(Stable)/[ICRA]A1+ |
| 5          | Term Loan                                 | Long-term                | -   | -   | -            | -                       | -            | -            | -                       | [ICRA]AA-(Stable) withdrawn | [ICRA]AA-(Stable) |                             |

@: 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          |

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 - working capital Facilities   | NA               | NA          | NA       | 105.00                   | [ICRA]A1                   |
| NA   | Non-fund based working capital facilities | NA               | NA          | NA       | 12.00                    | [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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### Branches



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