March 13, 2026

First Steps Babywear Private Limited: Long-term rating reaffirmed and short-term rating of [ICRA]A1 assigned

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based/ cash credit	140.00	138.00	[ICRA]A+ (Stable); reaffirmed
Long-term – Fund-based/ term loan	30.00	2.63	[ICRA]A+ (Stable); reaffirmed
Short-term – Non-fund based/ Others	-	2.55	[ICRA]A1; Assigned
Total	**170.00**	**143.18**	

**Instrument details are provided in Annexure I*

Rationale

The rating action on the bank lines of First Steps Babywear Pvt. Ltd. (FSBPL) considers the stable performance in FY2025, and an expected improvement in operational and financial performance over a medium term. These expectations are supported by its established market position in the infantwear segment and strong relationships with renowned international brands, reflected in recurring orders from its key customers over the years. The consolidated revenues grew by 18% (YoY) to Rs. 1,400 crore in FY2025, supported by increase in processed sales volumes. However, owing to increase in raw material prices, labour costs and moderation in subsidy recognition, operating margins moderated by 190 bps (on a YoY basis) to 14.6% in FY2025. In some months of the current fiscal, the US government applied a reciprocal tariff of 25% and an ad valorem duty of 25% on Indian apparel exports, in addition to baseline tariff levies. FSBPL receives around 24-28% of its revenues from the US market and based on discussions with the entity, it had re-routed certain US consignments through its subsidiary at Sri Lanka. To some extent, this is likely to sustain its operating profit margins in FY2026. The recent reduction in US tariffs and expected formalisation of a free trade agreement with the UK are likely to provide further diversification opportunities for the company and support an increase in revenues and profitability over the medium term.

The ratings also consider its integrated manufacturing facilities and the favourable demand condition with the shift in procurement by large customers in the US and the EU markets from China towards other markets, including India. The ratings also consider the Group's healthy financial risk profile, characterised by a conservative capital structure, with comfortable coverage metrics. Despite coverage indicators moderating in the recent past due to large debt-funded backward integrations, the interest coverage ratio stood healthy at 3.6 times in FY2025. ICRA notes that the entity has applied for various subsidies on its capital investments and timely receipt of these subsidies remains a key monitorable.

The ratings are, however, constrained by the vulnerability of the Group's profitability to volatility in raw material prices, demand trends in key export markets, exchange rate fluctuations and changes in the export incentive structure. Following the recent commissioning of fabric manufacturing facilities at Chamarajanagar, Karnataka, the Group is currently setting up another 1,800-sewing machine facility in Odisha at a total cost of Rs. 230 crore, funded through debt of Rs. 173.0 crore and internal accruals. The proposed debt-funded expansion exposes the Group to project and market risks, but its proven track record provides some comfort. The ratings also continue to factor in the segmental concentration risk with revenues driven by the single infantwear/children's wear segment and customer concentration risk with around 60% of its revenues derived from its top five customers, along with the geographical concentration risk. However, the enduring relationships with its customers and repeat orders from them provide some comfort.

The Stable outlook on the company's long-term rating reflects ICRA's expectation of comfortable capital structure and debt coverage metrics, supported by steady earnings growth and working capital intensity. Further, the outlook underlines ICRA's expectations that the entity's incremental capacity expansions, if any, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Established track record of operations and long relationships with large international brands – FSBPL is among the large exporters of infantwear from India, with a demonstrated operational track record of over a decade. FSBPL operates in the niche segment of manufacturing garments for infants in the age range of 0–3 years, where stringent quality requirements and relationships with customers pose as entry barriers. The promoter's extensive experience in the apparel industry and established relationships with leading international brands have supported a steady volume growth over the years. Further, the Group had commissioned its backward-integrated knitting and processing unit in FY2023 at Chamarajanagar to improve value addition and operating efficiency, and FY2024 had been the first full year of operations.

Integrated manufacturing facility – Following the investment in Colortone Textiles Private Limited by setting up knitting and processing facilities, the Group has diversified its processes across the value chain. Currently, its facilities are partly integrated across the knitting, processing and garmenting segments, enhancing its operational efficiencies. Additionally, strong operational infrastructure to meet stringent quality requirements has led to better margins for the Group. Integrated manufacturing facilities are likely to support the profitability of the Group to an extent over the medium term, while also meeting quality requirements of its end-customers. The company is also setting up a garment manufacturing facility in Odisha, and the project is being implemented in phases, with Phase I expected to be completed by June 2026 and Phase II by September–October 2026. Along with the company's established customer base and diversification efforts, these are expected to support its profitability over the medium term**.**

Healthy financial risk profile, characterised by healthy coverage metrics and an adequate liquidity position – Over the years, FSBPL's capital structure has remained comfortable, driven by steady earnings. Despite the sizeable debt-funded capex commissioned under the subsidiary, Colortone Textiles Pvt. Ltd., the Group's consolidated financial leverage has remained comfortable, supported by healthy accretion to retained earnings. The gearing and total outside liabilities to the tangible net worth stood at 0.8 times and 1.3 times, respectively, in FY2025. Despite some moderation in coverage indicators, with the interest coverage ratio moderating to 3.6 times in FY2025 compared to 4.3 times in FY2024, the same remained healthy. In addition, the Group is also setting up a new manufacturing unit at Odisha under the name, Colortone Garments Pvt. Ltd., at a total cost of Rs. 230 crore. While the debt-funded capex is likely to moderate the financial leverage in the near to medium term, healthy accretion to reserves and the company's deleveraging plans (over the near to medium term) through proposed fund-raising plans provide some comfort. ICRA expects the liquidity position to remain healthy, supported by its free cash and liquid investment of Rs. 148.2 crore as on January 31, 2025.

Credit challenges

Vulnerable to volatile raw material prices, demand trends in key export markets, tariffs and changes in export incentive structure – Like other apparel exporters, the Group's profitability is susceptible to adverse movements in raw material prices, and foreign exchange rates and tariffs given its export-driven revenue profile. Any volatility in exchange rates could adversely impact the Group's revenues and profitability as well as its competitiveness against other exporting countries. However, partial hedging via forward contracts mitigates the risk to an extent. Nevertheless, the Group faces concentration risk with its sales, which primarily take place in the US and UK (accounting for almost 68% of the Group's total sales in FY2025 and H1 FY2026). This makes the company's performance vulnerable to any adverse demand trend or development that affects consumer spending and preferences in the US and UK markets. Additionally, changes to export incentives like Remission of Duties and

Taxes on Exported Products (RoDTEP)/ Rebate of State and Central Taxes and Levies (RoSCTL) could adversely impact the profitability of the entity.

Exposure to segmental, customer and geographical concentration risks – The Group derives its entire revenues from infantwear products. Despite an increase in its scale of operations during the last five years, it continues to derive most of its revenues from exports to the US and UK (around 68% of total exports in FY2025 and H1 FY2026), resulting in its vulnerability to demand trends in these key markets. Besides, FSBPL's customer concentration risk is high, with its top five customers accounting for around 59% of its sales in FY2025 and around 66% in H1 FY2026.

Exposure to project and market risks owing to large, proposed debt-funded capacity expansion – After the recent commissioning of fabric manufacturing facilities at Chamarajanagar, the Group is currently setting up another 1,800-sewing machine facility in Odisha at a total cost of Rs. 230 crore under Colortone Garments Pvt. Ltd. The project cost is being funded through 75% debt and internal accruals/promoter contribution. The project is planned in two phases; the first phase would be completed by June 2026 and the second phase by September–October 2026. This project is at an implementation stage, which exposes its earnings to executions related to time and cost overruns inherent to large projects. The project would also be exposed to market risks upon commissioning, considering the large capacity being added. However, the Group's established presence is likely to support it in securing orders, thus providing some comfort.

Liquidity position: Adequate

The FSBPL Group's liquidity position is expected to remain adequate, supported by the expected healthy cash flow from operations of more than Rs. 100 crore in FY2026, adequate unutilised lines of credit and free cash reserves of the company. The Group's cash buffer, including liquid investments and free cash reserves, stood at around Rs. 148.2 crore as on January 31, 2025. For FSBPL (standalone), the average utilisation of its fund-based limits over the last 12-month period ending in December 2025 was around 72% of its sanctioned limits of Rs. 138.0 crore. The Group has repayment obligations of Rs. 67.3 crore and Rs. 88.1 crore (consolidated; excluding lease liabilities) in FY2026 and FY2027, respectively. However, ICRA expects its cash accruals to be sufficient for servicing its debt repayment obligations.

Rating sensitivities

Positive factors – The ratings could be upgraded, if there is a healthy and sustained increase in the company's profitability with improvement in its liquidity profile and debt protection metrics.

Negative factors – The ratings could be downgraded, if there is a sustained pressure on the company's operating performance or any large debt-funded capex/sharp elongation in working capital cycle/ delays in raising funds, which would adversely impact the liquidity, and debt protection metrics.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles Apparels
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated business and financial risk profiles of First Steps Babywear Private Limited and its three wholly-owned subsidiaries (see details in Annexure-II).

About the company

First Steps Babywear Private Limited, a Bangalore-based garment exporter incorporated in September 2001, is engaged in manufacturing and exporting infantwear, such as sleeps suits, body suits and combi suits. At present, its manufacturing facilities are spread across six locations in Bangalore and Hosur (Tamil Nadu) with a manufacturing capacity of 7.0 crore pieces per annum. The company also supplies its products to the domestic market under its own brand, FS Miniklub, through its subsidiary, Mini Klub Retail Private Limited, large retail outlets such as Shopper's Stop, Lifestyle and Central, and through e-commerce platforms like Flipkart, Babyoye and Snapdeal.

First Steps Babywear Lanka Private Limited, based out of Sri Lanka, started its commercial operations in FY2018. It has a manufacturing capacity of 3.5 crore pieces per annum. It is mainly involved in manufacturing and exporting infantwear to the UK. To backward integrate into knitting and processing, FSBPL has incorporated Colortone Textiles Pvt. Ltd., which has commissioned its knitting and processing unit at Hosur, with a manufacturing capacity of 30 tonnes per day. The commercial operations started in March 2023. Currently, the entire fabric produced by Colortone Textiles is captively consumed by FSBPL and First Steps Babywear Lanka.

Key financial indicators (audited)

FSBPL (Consolidated)	FY2024	FY2025
Operating income	1190.6	1400.0
PAT	94.7	84.0
OPBDIT/OI	16.5%	14.6%
PAT/OI	8.0%	6.0%
Total outside liabilities/Tangible net worth (times)	1.3	1.3
Total debt/OPBDIT (times)	2.2	2.7
Interest coverage (times)	4.3	3.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

			Current (FY2026)		Chronology of rating history for the past 3 years					
					FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Mar 13, 2026	Sep 19, 2025	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term	138.00	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	Jan 31, 2025	[ICRA]A+ (Stable)	Nov 30, 2023	[ICRA]A+ (Stable)	Sep 26, 2022	[ICRA]A (Stable)
Term loan	Long Term	2.63	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	Jan 31, 2025	[ICRA]A+ (Stable)	Nov 30, 2023	[ICRA]A+ (Stable)	-	-
Fund-based limits	Short Term	-	-	-	-	-	-	-	Sep 26, 2022	[ICRA]A2+
Non-Fund based limits	Short Term	2.55	[ICRA]A1	-	-	-	-	-	Sep 26, 2022	[ICRA]A2+
Unallocated	Long Term/ Short Term	-	-	-	Jan 31, 2025	[ICRA]A+ (Stable)/ [ICRA]A1; long-term rating re-affirmed/short-term rating reaffirmed and withdrawn	Nov 30, 2023	[ICRA]A+ (Stable) / [ICRA]A1	Sep 26, 2022	[ICRA]A (Stable)/ [ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term-fund based - cash credit	Simple
Long term - fund based- term loan	Simple
Short-term – non-fund based limits	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	**Cash Credit**	NA	NA	NA	138.00	[ICRA]A+ (Stable)
NA	**Term Loan**	FY2022	NA	FY2027	2.63	[ICRA]A+ (Stable)
NA	**Non-Fund based others**	NA	NA	NA	2.55	[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	FSBPL Ownership	Consolidation Approach
First Steps Babywear Lanka Private Limited	100.00%	Full Consolidation
Colortone Textiles Private Limited	100.00%	Full Consolidation
MiniKlub Retail Pvt. Ltd.	100.00%	Full Consolidation
Colortone Garments Private Limited	100.00%	Full Consolidation
First Steps Babywear UK Limited	100.00%	Full Consolidation

Source: Company

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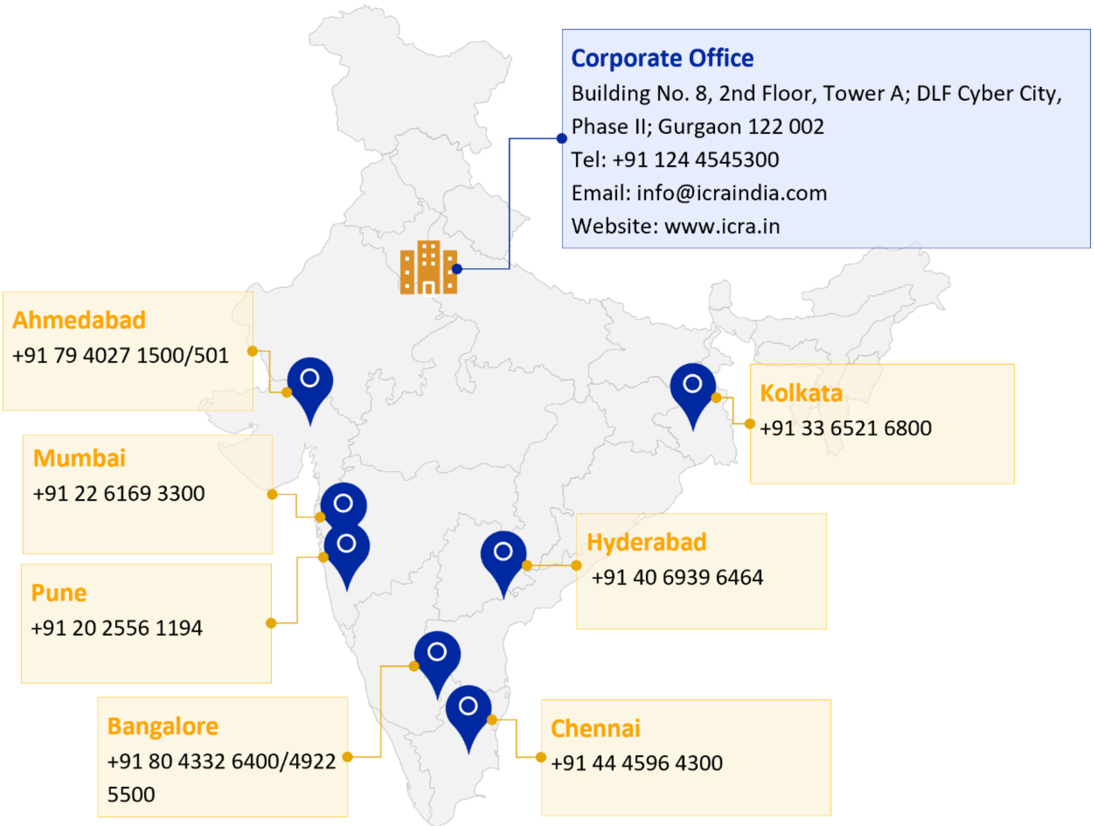

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