

## Tirupur Textiles Private Limited (Revised)

November 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	57.91	CARE B; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to Tirupur Textiles Private Limited (TTPL) is constrained by small scale of operations, weak debt coverage indicators, and customer concentration risk. The rating is further constrained by operating in a highly fragmented industry with exposure to raw materials prices and elongated operating cycle. The rating, however, derives strength from vast experience of the promoters in the textile industry and availability of inhouse captive power.

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

#### Positive factors

- Increase in scale of operations to more than ₹200.00 crores with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of more than 10% on a consistent basis.
- Improvement in Debt protection metrics with Total debt/Gross Cash Accruals (GCA) below 4.00x on sustained basis.

#### Negative factors

- Reduction in scale of operation with total operating income (TOI) falling below ₹40.00 crore.
- Any further elongation in operating cycle resulting in stretch in liquidity.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook by CARE Ratings Limited (CARE Ratings) reflects that the company is expected to sustain the operational performance in the medium term aided by the long-standing experience of the promoters in the textile segment.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Small scale of operations and declining scale of operations

TTPL, established in 1956, is engaged in manufacturing of cotton hosiery yarn with 60 counts. Despite long vintage, the company's scale of operation remained in the range of ₹100.00 crore to ₹150.00 crore. In FY24, TOI declined by 37% to ₹63.76 crore (PY: ₹100.86 crore) due to industry slowdown and availability of cheaper yarns in the market. In 7m FY25 the company generated income of ₹10.00 crore.

##### Concentrated customer profile in a competitive and fragmented industry

The company derives over 84% (PY: 52%) of TOI in FY24 from single customer, with whom the company has relationship for more than 2 decades. The cotton spinning industry in the country is highly fragmented, characterized by a wide range of organized and unorganized players, which adds to the competitive landscape and market dynamics.

##### Moderate capital structure and weak debt coverage indicators

Against the net worth base of ₹64.12 crore the company has an outstanding debt level of ₹78.33 crore, with an overall gearing of 1.22x as on March 31, 2024, compared to 1.26x as on March 31, 2023. The net worth was Rs 11.94 crore as on 31 March 2020 which improved to ₹78.33 crore as on March 31, 2024, due to accretion of profit, aided profit from sales of land from FY21 to FY23. The debt coverage indicator marked by Total debt/GCA stood weak at 42.92x in FY24 (PY: 44.71x)

##### Inherent volatility associated with prices of raw material

The profitability of spinning mills is largely influenced by the prices of cotton and cotton yarn, which are affected by factors such as the area under cultivation, monsoon conditions, and the international demand-supply situation. The cotton textile industry is inherently prone to the volatility in cotton and yarn prices. Also, the company is engaged in manufacturing cotton yarn which is highly fragmented industry due to presence of large number of organized and unorganized players in the industry resulting in huge competition. The PBILDT margin has been varying in the range of 6.43% to 26.07% over the past four years ended FY24.

<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.

## Key strengths

### Promoter's extensive industry experience and established track record of the company

TTPL is a family-owned business with a legacy spanning over seven decades in the cotton spinning industry. The company is currently managed by S. Vijaykrishna, the Managing Director, who holds a Diploma in Textile Technology and boasts over four decades of industry experience. Leveraging the promoter's vast industry knowledge and well-established presence, TTPL has successfully forged long-standing relationships with both its suppliers and customers.

### Benefit derived from captive power

TTPL has an installed capacity of 12MW of windmill power. The power generated through windmill unit is partly used for captive power consumption which helps to meet with around 85% of the total power needs and remaining is sold to the state electricity board.

### Liquidity: Stretched

The liquidity of TTPL is stretched with cash accruals of ₹1.82 crore against the repayment obligations of ₹6.98 crore in FY25 and moderate cash balance of ₹3.11 crore as on March 31, 2024. The current ratio of the company stood at 1.01x as on March 31, 2024. The operating cycle of the company stood elevated is higher at 205 days (PY: 89 days) for FY24 on primarily on account of build-up of inventory, due to unfavourable market conditions. The average working capital utilization of TTPL stood at 95% for past 12 months ended October 2024.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

## Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

TTPL incorporated in 1956 at Tirupur, Tamil Nadu, is engaged in the manufacturing of cotton hosiery yarn. The company managed by S. Vijaykrishna who is a 3<sup>rd</sup> generation entrepreneur. The company has total installed capacity of 59,712 spindles and manufactures hosiery yarn with an average count of 60s. The major customer is based in Mumbai which contributed to more than 80% of the topline and the other customers are based in and around Tirupur, Tamil Nadu.

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (A)	7m FY25 (P)
Total operating income	110.86	63.76	10.00
PBILDT	6.49	9.03	NA
PAT	0.17	0.19	NA
Overall gearing (times)	1.26	1.22	NA
Interest coverage (times)	1.07	1.14	NA

A: Audited P: Provisional NA: Not Available; Note: these are latest available financial results

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

Brickwork Ratings India Private Limited (BWR) has conducted a review based on the best available information and has classified TTPL as "non-cooperative" vide its press release dated May 23, 2024. The reason provided by BWR is the non-furnishing of information for monitoring of rating.

**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-Cash Credit		-	-	-	25.00	CARE B; Stable
Fund-based - LT-Term Loan		-	-	March 2033	32.91	CARE B; Stable

#### 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-Cash Credit	LT	25.00	CARE B; Stable				
2	Fund-based - LT-Term Loan	LT	32.91	CARE B; Stable				

LT: Long 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

#### Annexure-5: Lender details

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

**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](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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