

TT Limited
September 29, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB+; Stable (Double B Plus; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4+ (A Four Plus) and Withdrawn
Total Bank Facilities	0.00 (₹ Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE has reaffirmed the outstanding ratings of 'CARE BB+; Stable/CARE A4+' [Double B Plus; Outlook: Stable/ A Four Plus] assigned to the bank facilities of TT Ltd. and simultaneously withdrawn. The above action has been taken at the request of TT Ltd. and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE Ratings Ltd.

The reaffirmation in ratings continue to factor in the below average financial risk profile of the company, volatility in the raw material prices, foreign exchange rates resulting in volatile margins, and competitive nature of the industry. The ratings, however, takes strength from the experienced promoters with established track record and brand name, integrated business operations and moderate operational performance.

Detailed description of the key rating drivers**Key Rating Weaknesses****Below average financial risk profile**

The capital structure of the company continues to remain leveraged as overall gearing stood at 2.34x as on March 31, 2022 though improved from 3.99x as on March 31, 2021 largely on account of repayment of unsecured loans by the company. The repayment was funded through sale proceeds received of Rs. 66.28 crores out of the total consideration of Rs. 81.06 crores. The company has sold its spinning mill, ginning mill and wind mill during FY22 and simultaneously exited from yarn manufacturing segment.

As on June 30, 2022 the total debt of the company has further decreased to Rs. 159.41 crores from Rs. 186.83 crores as on March 31, 2022. The overall gearing thus stood at 1.98x as on June 30, 2022.

Susceptibility to foreign exchange rate fluctuations and volatility in the raw material prices

The contribution of export sales out of the total income is ~50% exposing it to foreign exchange risk. However, the company hedges 90% of its export receivables by entering into forward contracts. The profitability of company depends largely on the prices of cotton and cotton yarn which are governed by various factors such as area under cultivation, monsoon, international demand-supply situation, international prices and government regulations. The cotton textile industry is inherently prone to the volatility in cotton and yarn prices.

Competitive intensity from unorganized and international markets

In the yarn and garment segment, the company faces intense competition from China, Bangladesh and other cheap export-based countries, which sell yarns and garments at lower rates compared to India. Indian apparel exporters face competition from Bangladesh on account of low wages and duty-free access to various countries including EU nations. Domestic competition

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

has also been growing in the garment segment with the international brands entering India. Moreover, the exporters affected by the slowdown in exports are diverting their capacity to the domestic market, thereby increasing competition and affecting margins. Indian apparel exports will continue to be guided by development in USA and EU economies. Further, decreasing cost competitiveness of China is likely to give positive impetus to Indian textile exporters. Availability of skilled manpower and raw material like cotton, polyester and viscose puts India in a favourable position vis-à-vis other country.

Key Rating Strengths

Experienced and resourceful promoters with established track record

The promoters of TTL have a long track record of more than three decades. The main promoter, Dr. Rikhab C. Jain, has more than five decades of experience in the textile industry. He has done his MBA from IIM Calcutta and is a fellow member of the Institute of Company Secretaries, UK as well as India. Mr Jain is ably assisted by his son-in-law and Managing Director of TTL Mr. Sanjay Jain and his daughter-in-law Ms Jyoti Jain, Joint MD. Also, promoters have continuously supported the company with the infusion of funds in the form of unsecured loans.

Integrated business operations with established brand name

Over the years, TTL has established itself as an integrated textile manufacturer with its presence in the entire cotton chain, including yarn, knitted fabrics and garments. The prominent product segments are yarn followed by garments and fabric. However, the company has exited from the yarn segment during FY22, post the sale of spinning mill.

TTL has a network of franchise units for the manufacture of yarn and innerwear, knitwear garments at Tirupur, Kolkata, Delhi, Varanasi, Saharanpur, Kanpur and Ludhiana. The production from these franchise units are marketed under the brand name 'TT'.

Moderate operational performance

The total operating income of the company, remained stable during FY22 at Rs. 395.54 crores (PY: Rs. 393.89 crores). The transfer of spinning mill was completed in October 2021; therefore, the company was manufacturing yarn in H1FY22. However, the profitability has witnessed slight moderation to 9.94% in FY22 from 10.10% in FY21 mainly due to increase in prices of key raw material; cotton.

During Q1FY23, the company recorded total operating income of Rs. 56.15 crores with a PBILDT margin of 9.71%. The deterioration in margins was largely due to continued upward trend of cotton prices.

Liquidity: Adequate

The company has a repayment obligation of Rs. 8.89 crore for term loans during FY23 as against the projected cash accruals of around Rs. 23 crores. The operations of the company are working capital intensive owing to high inventory holding period of 82 days in FY22 (PY: 87 days). The high working capital requirements are met by bank facilities leading to an average utilization levels of ~84% for the past twelve months ended July 2022.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Cotton Textile](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company

TT Limited (formerly Tirupati Texknit Ltd; TTL) was incorporated in 1978, as a public limited company. The company is promoted by Mr. Rikhab Chand Jain, an IIM graduate, is aged 72 years and has more than five decades of experience in textile industry. Mr Jain is ably assisted by his son-in-law and Managing Director of TTL Mr. Sanjay Jain, also an IIM graduate, and his granddaughter Ms Jyoti Jain, Joint MD. The company exports in more than 65 countries across the globe. As on June 30, 2022, the company has an installed capacity of 30,40,000 kg of knitted fabrics.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	393.89	395.54	56.15
PBILDT	39.78	39.33	5.45
PAT	-7.60	14.53	0.64
Overall gearing (times)	3.99	2.34	1.98
Interest coverage (times)	1.41	1.82	1.27

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

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 along with Rating Outlook
Fund-based-Short Term		-	-	-	0.00	Withdrawn
Non-fund-based-Short Term		-	-	-	0.00	Withdrawn
Term Loan-Long Term		-	-	-	0.00	Withdrawn
Fund-based-Long Term		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based-Short Term	ST	-	-	-	1)CARE A4+ (17-Dec-21)	1)CARE A4 (02-Mar-21)	1)CARE A4 (11-Mar-20)
2	Non-fund-based-Short Term	ST	-	-	-	1)CARE A4+ (17-Dec-21)	1)CARE A4 (02-Mar-21)	1)CARE A4 (11-Mar-20)
3	Term Loan-Long Term	LT	-	-	-	1)CARE BB+; Stable (17-Dec-21)	1)CARE BB; Stable (02-Mar-21)	1)CARE BB; Stable (11-Mar-20)
4	Fund-based-Long Term	LT	-	-	-	1)CARE BB+; Stable (17-Dec-21)	1)CARE BB; Stable (02-Mar-21)	1)CARE BB; Stable (11-Mar-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based-Long Term	Simple
2	Fund-based-Short Term	Simple
3	Non-fund-based-Short Term	Simple
4	Term Loan-Long Term	Simple

Annexure-5: Bank lender details for this company

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

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

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About us:

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