T. C. Terrytex Limited

June 25, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	149.35	**CARE BB+; ISSUER NOT COOPERATING* (Double B Plus; ISSUER NOT COOPERATING*)**	Issuer not cooperating; Based on best available information
Short term Bank Facilities	24.00	**CARE A4+; ISSUER NOT COOPERATING* (A Four Plus; ISSUER NOT COOPERATING*)**	Issuer not cooperating; Based on best available information
Total	**173.35 (Rupees One hundred Seventy Three crore and Thirty Five lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from T.C. Terrytex Limited (TCTL) to monitor the rating vide letters/ e-mail communications dated May 28, 2018; May 25, 2018; May 21, 2018; May 18, 2018 & May 16, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The ratings on T.C. Terrytex Limited's bank facilities will now be denoted as **CARE BB+ /CARE A4+; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The ratings take into account TCTL's moderate solvency position, working capital intensive nature of operations, fragmented nature of the industry and susceptibility of profitability margins to fluctuation in raw material prices & adverse foreign exchange currency movements. The ratings, however, derive strength from growing scale of operations coupled with integrated nature of operations leading to moderate operating profit margins, experienced & resourceful promoters and diversified customer base.

Detailed description of the key rating drivers

At the time of last rating on April 10, 2017 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key Rating Weaknesses

Moderately weak solvency position: The capital structure of the company remained moderately leveraged with overall gearing ratio of 1.52x, as on March 31, 2017 (PY: 1.53x). The debt coverage indicator remained moderate with total debt to GCA of 10.85x, as on March 31, 2017 (PY: 6.82x) and the PBILDT interest coverage ratio of 1.68x in FY17 (PY: 2.06x).

Working capital intensive nature of operations: The operations of the company are working capital intensive in nature. The average operating cycle of the company remained elongated at 161 days as on March 31, 2017 (154 days as on March 31, 2016).

Susceptibility of profitability margins to fluctuations in raw material prices and foreign exchange movements: The operations of TCTL are raw material intensive in nature which exposes the margins to any adverse movement in the raw material prices. Furthermore, the margins are also vulnerable to the fluctuation in the foreign exchange rates.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

**Issuer did not cooperate; Based on best available information*

Highly competitive and fragmented nature of the industry: The company operates in a highly fragmented textile manufacturing industry wherein the presence of large number of entities in the unorganized sector and established players in the organized sector limits the bargaining power with customers. Furthermore, the firm is also exposed to competitive pressures from domestic players as well as from players situated in China and Bangladesh.

Key Rating Strengths

Experienced promoter: The company is promoted by Mr Anil Satia and his son, Mr Akhil Satia who have an experience of around four decades and one decade, respectively, in the textile business.

Semi-Integrated nature of operations: The company has an in-house dyed yarn manufacturing division which provides company with certain level of integration as 25%-30% of the dyed yarn manufactured in the company is used in the manufacturing of terry towel.

Increasing scale of operations: The company's operating income grew at around 6% (y-o-y basis) in FY17 to Rs.401.86 crore.

Analytical Approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
CARE's methodology for manufacturing companies
CARE's methodology on Cotton Yarn
Financial ratios – Non-Financial Sector
CARE's policy on default recognition
Criteria for short-term instruments

About the Company

T.C Terrytex Ltd. (TCTL), a unit of Satia Group, is a public limited company (closely held), incorporated in 2005 and promoted by Mr Anil Satia and his son Mr Akhil Satia. The company is primarily engaged in the manufacturing of terry towels and dyed yarn at its manufacturing facility located at Lalru, Dist. Mohali, Punjab, with a total installed capacity of 7000MT/year for terry towels and 5400MT/year for dyed yarn. All the processes involved in manufacturing of towels i.e. sizing to dispatch are in-house. Furthermore, TCTL also exports its products to various countries such as Australia, USA, Netherland, Hong Kong, Japan, Dubai, etc.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	380.31	401.86
PBILDT	43.88	36.90
PAT	1.75	1.94
Overall gearing (times)	1.53	1.52
Interest coverage (times)	2.06	1.68

A: Audited

Status of non-cooperation with previous CRA: ICRA has suspended its rating vide press release dated October 28, 2013 on account of its inability to carry out a rating surveillance in the absence of the requisite information from the company.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	100.00	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	Mar-2023	49.35	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-BG/LC	-	-	-	24.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	100.00	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB+; ISSUER NOT COOPERATING* (10-Apr-17)	-	1)CARE BB+ (23-Nov-15)
2.	Fund-based - LT-Term Loan	LT	49.35	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB+; ISSUER NOT COOPERATING* (10-Apr-17)	-	1)CARE BB+ (23-Nov-15)
3.	Non-fund-based - ST-BG/LC	ST	24.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4+; ISSUER NOT COOPERATING* (10-Apr-17)	-	1)CARE A4+ (23-Nov-15)

**Issuer did not cooperate; Based on best available information*

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