November 23, 2015

CARE ASSIGNS 'CARE BB+' AND 'CARE A4+' RATINGS TO THE BANK FACILITIES OF T.C. TERRYTEX LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	149.35	**CARE BB+ (Double B Plus)**	Assigned
Short term Bank Facilities	24.00	**CARE A4+ (A Four Plus)**	Assigned
Total Facilities	**173.35 (Rupees One Seventy Three crore and Thirty Five lakh only)**		

Rating Rationale

The ratings assigned to the bank facilities of T.C. Terrytex Limited (TCTL) are primarily constrained by its moderate solvency position and working capital intensive nature of operations. The ratings are further constrained by the fragmented nature of the industry and susceptibility of profitability margins to fluctuation in raw material prices & adverse foreign exchange currency movements. The ratings, however, favourably take into account growing scale of operations coupled with integrated nature of operations leading to moderate operating profit margins, experienced & resourceful promoters and diversified customer base.

Going forward, the ability of the company to steadily increase its scale of operations while improving its solvency position and managing the working capital requirements efficiently would be the key rating sensitivities

Background

TCTL, a unit of the Satia group, incorporated in 2005 is promoted by Mr Anil Satia and his son Mr Akhil Satia. TCTL is primarily engaged in the manufacturing of terry towels and dyed yarn at its manufacturing facility located at Lalru, District Mohali, Punjab, with an installed capacity of 7,000 MT/year for terry towels and 5,400 MT/year for dyed yarn as on March 31, 2015. The product profile of the company includes different types of terry towels including zero twist towels, beach towels, Egyptian towels, bamboo towels, combed towels, texture towels. Furthermore, the company also exports its products to various overseas countries. Exports accounted for ~43% of the total income in FY15 (37% in FY14; refers to the period April 01 to March 31). The group has other companies, viz, Satia Synthetics Ltd., T.C. Spinners Pvt. Ltd. also which are engaged in business of manufacturing of yarns.

TCTL registered a total operating income of Rs.365.77 crore during FY15 with PAT of Rs.1.53 crore as against a total operating income of Rs.320.24 crore with PAT of Rs.4.93 crore in FY14. In 6MFY16 (Provisional), the company has achieved a total operating income of Rs.173.29 crore

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



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

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.

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 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 assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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