

MARCH 11, 2015

CARE REVISES THE LONG-TERM RATING AND ASSIGNS SHORT-TERM RATING OF 'CARE A4' TO THE BANK FACILITIES OF THATAVARTHI APPARELS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	47.65	CARE BB- (Double B Minus)	Revised from CARE B+ (Single B Plus)
Short term Bank Facilities	10.00	CARE A4 (A Four)	Assigned
Long/Short-term Bank Facilities	0.90	CARE BB-/CARE A4 (Double B Minus/A Four)	Assigned
Total Facilities	58.55		

Rating Rationale

The revision in the long-term rating takes into account the improvement in profit margins during 8MFY15 (refers to the period April 01 to November 30) and continuous financial support from the parent company by means of equity infusion during FY14 (refers to the period April 01 to March 31). However, the rating continues to remain constrained by the highly leveraged capital structure, volatility in raw material prices, working capital-intensive nature of business, small scale of operations and limited track record in spinning segment. The rating is underpinned by the experience of the promoters in apparels business, eligibility of power subsidy from the government, presence in the cotton growing area leading to adequate raw material availability. The ability of the company to further improve scale of operations and profit margins and efficiently manage working capital cycle are the key rating sensitivities.

Background

Incorporated in 1999, Thatavarthi Apparels Limited (TAL) has been promoted by Mr. T Chandra Sekhar Rao. TAL is engaged in manufacturing of cotton yarn of counts ranging from 40's to 60's and has its manufacturing facility located at Guntur which commenced operations with an installed capacity of 16,320 spindles and. TAL made an expansion in FY13, which increased its capacity to 17,952 spindles with a total project cost of Rs.11.90 crore with a debt of Rs.7.50 crore, remaining equity and internal accruals and increased the product range from 24's to 120's counts.

TAL is a part of Vilan group, which is into textile industry across the value chain and operates through six group companies. The Group has five manufacturing units engaged in the production of hosiery garments located at Vijayawada and one sourcing unit located at Tirupur, Tamilnadu. The Group operates through 32 distributors in Andhra Pradesh, Orissa and Kerala. Seshasayee Knittings Private Ltd. (SSKPL) is the flagship company of the VILAN Group and also is the holding company of TAL (75.98% subsidiary).

For FY14, TAL reported total operating income of Rs.65.10 crore and PBILDT of Rs.10.23 crore as against total operating income of Rs.42.57 crore and PBILDT of Rs.9.47 crore in FY13. The company incurred a net loss in FY14 of Rs.0.13 crore as against a net profit of Rs.0.14 crore in FY13.

As per the unaudited financials for 8MFY15, the company has reported PBILDT of Rs.8.30 crore and PAT of Rs.0.84 crore on total operating income of Rs.37.68 crore.

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

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

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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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