

June 25, 2013

**CARE ASSIGNS 'CARE B' TO THE BANK FACILITIES OF
THATAVARTHI APPARELS LIMITED****Rating**

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	37.11	CARE B (Single B)	Assigned
Total Facilities	37.11		

Rating Rationale

The rating assigned to the bank facilities of Thatavarthi Apparels Limited (TAL) factor in the weak financial position with net loss during the last two financial years ending FY13 (refers to the period April 1 to March 31) and highly leveraged capital structure, volatility in raw material prices, weak power scenario in the Andhra Pradesh region and high working capital intense nature operations. However, the rating derives strength from the experienced promoters, diversified client base and geographical revenue diversification. The ability of the company to improve the capital structure and the company's scale of operations with efficiently managing its operating cycle will be the key rating sensitivities.

Background

Thatavarthi Apparels Limited (TAL) was incorporated in 1999 to carry on the business of manufacture and sale of cotton yarn. The company was promoted by Mr T Chandra Sekhara Rao and his family, and started its commercial operations in November 2011. The company set up a spinning mill with 16,320 spindles to manufacture cotton yarn of counts ranging from 40's to 60's in Guntur District. TAL belongs to the Vilan Group based at Vijayawada. The Vilan Group is into the manufacture of Inner Garments and Knitwear for the last three decades. Seshasayee Knitting's Private Ltd (SSKPL) is the flagship company of the VILAN Group and also the holding company of TAL (66.38% share holding).

TAL registered a net loss of Rs.0.30 crore (Rs.0.73 crore in FY12) on a total income of Rs.42.54 crore (Rs.19.34 crore in FY12) in FY13 Provisional.

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