

December 22, 2015

CARE REVISES THE LT RATING AND REAFFIRMS THE ST RATING ASSIGNED TO THE BANK FACILITIES OF THATAVARTHI APPARELS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	45.75 (Reduced from 57.65)	CARE BB (Double B)	Revised from CARE BB- (Double B Minus)
Short-term Bank Facilities	10.90	CARE A4 (A Four)	Reaffirmed
Total Facilities	56.65 (Rupees Fifty Six crore and Sixty Five lakh only)		

Rating Rationale

The revision in the rating assigned to the long-term bank facilities of Thatavarthi Apparels Limited (TAL) takes into account improvement in the financial risk profile and liquidity profile led by improvement in profitability margins in FY15 (refers to the period April 1 to March 31) and infusion of equity by the promoters.

The rating also factors in strength derived from experienced and resourceful promoters along with group support, adequate availability of raw material and power subsidy received from Andhra Pradesh State Government.

The rating is, however, constrained by limited track record of operations, volatility in raw material prices, geographically concentrated revenue stream, leveraged capital structure, extended inventory period and regulated nature of the industry.

The ability of the company to increase scale of operations, maintain its profitability margins and improve the capital structure are the key rating sensitivities.

Background

Incorporated in 1999, Thatavarthi Apparels Limited (TAL) was promoted by Mr T Chandra Sekhar Rao. TAL belongs to Vilan group, which is into manufacturing of inner Garments and Knitwear for the past three decades. TAL is engaged in manufacture & sale of cotton yarn since November 2011. It has its manufacturing facility located at Guntur with an installed capacity of 17,952 spindles and manufactures cotton yarn of counts ranging from 24's to 120's.

Vilan Group is into textile industry across the value chain and operates through six associate group concern companies. The group has five manufacturing units engaged in the production of hosiery garments located at Vijayawada, Andhra Pradesh and one sourcing unit located at Tirupur, Tamilnadu and has a capacity to produce 19,500 pieces of garments per day. The Group operates through 32 distributors in Andhra Pradesh, Orissa and Kerala. Seshasayee Knittings Private Ltd is the flagship company of the Vilan Group and also is the holding company of TAL (holds 80.49% of equity stake).

During FY15 (refers to the period April 01 to March 31), TAL has reported a PBILDT of Rs.10.89 crore (Rs.10.23 crore in FY14) and a PAT (after deferred tax) of Rs.0.22 crore (loss of Rs. 0.13 crore in FY14) on a total operating income of Rs.59.26 crore (Rs.65.10 crore in FY14).

As per unaudited financials for 8MFY16, the company has reported total operating income and PAT of Rs.41.32 crore and Rs.8.59 crore respectively

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