

December 27, 2013

**CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF
THATAVARTHI APPARELS LIMITED**

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	43.67 (enhanced from 37.11)	CARE B+ (Single B Plus)	Revised from CARE B (Single B)
Total Facilities	43.67		

Rating Rationale

The revision in the rating assigned to the bank facilities of Thatavarthi Apparels Limited (TAL) factors in the equity infusion in FY13 (refers to the period April 1 to March 31) and improvement in the scale of operations and capital structure. The rating continues to factor in the strength from the experienced promoters, diversified client base and geographical revenue diversification. However, the rating continues to be constrained by the highly leveraged capital structure, volatility in raw material prices, weak power scenario in the Andhra Pradesh region and working capital-intensive nature operations. The ability of the company to improve the scale of operations, profitability margins and capital structure along with efficient management of working capital will be key rating sensitivities.

Background

Thatavarthi Apparels Limited (TAL), incorporated in 1999, was promoted by Mr T Chandra Sekhar Rao. TAL belongs to the Vilan group which has five manufacturing units engaged in the production of hosiery garments located at Vijayawada and one sourcing unit located at Tirupur, Tamil Nadu. 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 the holding company of TAL (68.78% stake). TAL commenced operations in November 2011 with an installed capacity of 16,320 spindles to manufacture cotton yarn of counts ranging from 40's to 60's at its manufacturing facility located at Guntur. In FY13, TAL expanded its installed capacity to 17,950 spindles, thus enabling it to manufacture the entire range of cotton yarn from 24's to 120's counts. The total project cost of Rs.11.90 crore was funded through debt of Rs.7.50 crore and the balance through equity and internal accruals.

In FY13, TAL registered a PAT of Rs.0.14 crore (net loss of Rs.0.73 crore in FY12) on a total income of Rs.42.57 crore (Rs.19.34 crore in FY12). During H1FY14 (UA), TAL registered a total income of Rs.34.15 crore.

Analyst Contact

Name: L Vidhyasagar

Tel: 040 40102030

Mobile: 08801880184

Email: vidhya.sagar@careratings.com

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

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Mobile : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Mobile +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President –Bank Loan &

Instrument Rating

Mobile: +91-9819009839

mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President – Banks & Financial

Services

Mobile: +91-9819698985

E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com | Fax: +91-022- 6754 3457.

KOLKATA | **Ms. Priti Agarwal** | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 |

E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI | **Mr. V Pradeep Kumar** | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD | **Mr. Mehul Pandya** | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-40265657 | E-mail:mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI | **Ms. Swati Agrawal** | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 | E-mail: swati.agrawal@careratings.com | 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU | **Mr. Dinesh Sharma** | Cell: +91 9900041975 | Tel: +91-80-41150445 | 41654529 E-mail: dinesh.sharma@careratings.com | Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bengaluru- 560 001.

HYDERABAD | **Mr. Saikat Roy** | Tel: +91-40-40102030 |

E-mail: saikat.roy@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

PUNE | **Mr. Rahul Patni** | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 |

E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

JAIPUR | **Mr. Rahul Jain** | Cell: +91-9314921496 | Tel: +91-0141-4020213/14 |

E-mail: rahul.jain@careratings.com | 304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016.