

JULY 11, 2014

CARE ASSIGNS 'CARE A-' RATING TO THE BANK FACILITIES OF TODI HOSIERY LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	70.0	CARE A- (Single A Minus)	Assigned
Total Facilities	70.0		

Rating Rationale

The aforesaid rating derives strength from the long track record and rich experience of the promoters, regular infusion of capital by the promoters, LUX group's integrated nature of operations and established presence in the hosiery industry with strong brand image, wide product range and established selling and marketing arrangements. The rating further derives strength from the improving financial performance along with satisfactory liquidity profile and debt-coverage metrics. The rating is, however, constrained by the working capital intensive nature of operations, volatility in the prices of raw materials and intense competition. Ability of the company to improve its profitability while maintaining adequate capital structure would be the key rating sensitivity.

CARE has taken a combined view on Lux Industries Ltd, Todi Hosiery Ltd. and Ebel Fashions Pvt Ltd to arrive at the ratings, as the three companies are under the same management, share a common marketing and advertisement network and have common suppliers.

Background

Todi Hosiery Ltd (THL) was originally incorporated as Todi Hosiery Pvt Ltd. in October, 2004 and subsequently its name was changed to its present name in April 2012. THL is part of the LUX group and is engaged in the manufacturing and marketing of hosiery undergarments. THL is more focused on women's innerwear and outerwear and markets its products under the brand names "GenX", "KoolZ", "Touch", "Karishma" and "Target".

The flagship company of the LUX group, Lux Industries Ltd (LIL; rated CARE A/CARE A1), is also engaged in the manufacturing of hosiery undergarments. Other major company of the group engaged in a similar line of business is Ebel Fashions Pvt Ltd (EFPL; rated CARE A-(SO)).

The company earned PAT of Rs.5.5 crore on a total income of Rs.180 crore in FY14 (Provisional; refers to the period April 1 to March 31) as compared to a PAT of Rs.2.9 crore on a total income of Rs.173.5 crore in FY13 (audited).

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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.

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

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CIN - L67190MH1993PLC071691