

## TT Limited

February 19, 2019

### Ratings

Facilities	Amount (Rs. Crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	109.71 (enhanced from 95.87)	<b>CARE BB; Stable</b> <b>[Double B; Outlook: Stable]</b>	Reaffirmed
Short term Bank Facilities	157.85 (reduced from 196.00)	<b>CARE A4</b> <b>[A Four]</b>	Reaffirmed
<b>Total facilities</b>	<b>267.56</b> <b>(Rupees Two Hundred Sixty Seven Crore and Fifty Six Lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings of TT Limited (TTL) continue to remain constrained by its below average financial risk profile characterized by high overall gearing, weak coverage indicators, low profitability and elongated working capital cycle during FY18 (refers to period from April to March). The ratings also continue to remain constrained by the volatility in the raw material prices and foreign exchange rates resulting in volatile margins, competitive nature of the industry and the current subdued industry scenario along with the risk associated with the under-implementation garment manufacturing project.

The ratings, however, continue to derive strength from the experienced promoters, long track record of operations of the company and the well-established 'TT' brand. The ratings also take cognizance of the shift in business focus of company from yarn manufacturing and spinning business to garments manufacturing.

Going forward, the ability of the company to achieve the envisaged revenue and profitability while improving its capital structure and managing its working capital cycle efficiently shall remain the key rating sensitivities. Also, continued need based support from promoters and the completion of planned capex within envisaged time and cost shall remain key monitorable.

### Detailed description of the key rating drivers

#### Key rating weaknesses

#### ***Below average financial risk profile in FY18, however improvement in H1FY19***

TT has a below average financial risk profile characterized by declining total operating income (TOI) and profitability margins. The company also has high overall gearing and weak debt coverage indicators. The company reported a decline of 25.01% in operating income during FY18 largely on account of decline in production of spinning mills assets which were divested during FY18. The company reported dip in the net profit margins to -2.88% during FY18 as against 0.28% during FY17. Also, the capital structure of the company continues to be leveraged with overall gearing at 2.94x as on March 31, 2018. Also, the debt coverage indicators remained weak as reflected by interest coverage ratio of 1.01x and Total Debt to GCA of 34.00x during FY18. However, during H1FY19 (refers to period April to September), the company reported a TOI of Rs 305.21 crore with net profit of Rs 0.89 crore as against TOI of Rs. 245.43 and net loss of 10.83 crore during H1FY18.

Given the relatively high debt servicing obligation in near future, the company is expected to rely on funds flow from non-operational avenues including fixed assets sales proceeds and promoter loans.

#### ***Volatility in raw material prices and forex risk***

The domestic cotton prices are governed by various external factors including international prices, government regulations etc. The price of cotton, major raw material for cotton yarn, has also remained vulnerable in the range of Rs. 114 to Rs. 123 per kg in FY18 and H1FY19 aided by the support provided by the procurement of cotton by Cotton Corporation of India (CCI).

During FY18, the company exported around 52% (66% in H1FY19) of its products exposing it to foreign exchange risk, however, the company hedges around 70-80% of its export receivables by entering into forward contracts; thereby providing comfort to some extent.

#### ***High competition from unorganized market***

In the yarn and garment segment, the company faces major competition from China, Bangladesh and other cheap export-based countries, which sell yarns and garments at lower rates compared to India. Indian apparel exporters face competition from Bangladesh on account of low wages and duty free access to around 37 countries including EU (European Union) nations. Domestic competition has also been growing in the garment segment with the international brands entering India. Moreover, the exporters affected by the slowdown in exports are diverting their capacity to the domestic market, thereby increasing competition.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

### **Project implementation risk**

As part of its strategy to give boost to garment business, TTL is setting up garment manufacturing facilities at Gajroula (Uttar Pradesh) and Avinashi (Tamil Nadu) units. The project involves total outlay of Rs. 19.30 crore, which will be funded through debt of Rs. 14 crore (already tied up), Rs. 4.23 crore through subsidies and balance through cash accruals. The project is expected to be completed by March 31, 2019. Given the current stage of implementation, TTL remains exposed to the risk of project implementation.

### **Key rating strengths**

#### **Long track record and experienced promoters coupled with consistent support from promoters**

TT has a long track record of more than three decades. The main promoter, Mr Rikhab C. Jain, has more than four decades of experience in the textile industry. He has done his MBA from IIM Calcutta and is a fellow member of the Institute of Company Secretaries, UK as well as India. Mr Jain is ably assisted by his son-in-law and Managing Director of TTL Mr Sanjay Jain and his daughter Ms Joyti Jain, Joint MD. Also, promoters have supported the operations by consistent infusion of unsecured loans. As on March 31, 2018, the company had unsecured loans of Rs 89.41 crore including Rs 47.46 crore from promoters and Rs 41.95 crore in the form of inter-corporate deposits.

#### **Integrated cotton textile manufacturer and established brand name**

Over the years, TTL has established itself as an integrated textile manufacturer with its presence in the entire cotton chain, including yarn, knitted fabrics and garments.

The prominent product segments are yarn (approx. 56% of gross sales during FY18), garments (approx. 23% of gross sales during FY18), fabric (approx. 11.65% of gross sales during FY18) and cotton (approx. 7% of gross sales during FY17). TTL has a network of franchise units for the manufacture of yarn and undergarments, knitwear garments at Tirupur, Kolkata, Delhi, Varanasi, Saharanpur, Kanpur and Ludhiana.

### **Liquidity**

Owing to transition period of changing business focus from spinning to garment business, comfort on liquidity is derived from continued support from promoters as well as the fixed assets sales proceeds (FA sales proceeds have been already received in FY18 and FY19). The company had cash & bank balance of Rs. 0.64 crore as on September 30, 2018 while the average utilisation levels of cash credit limits stood at 96% for the past twelve months ending December 31, 2018.

### **Analytical approach:**

Standalone

### **Applicable Criteria**

[CARE's methodology for manufacturing companies](#)

[CARE's methodology for cotton yarn industry](#)

[Financial Ratios – Non financial sector](#)

[Criteria for Short Term Instruments](#)

[CARE's criteria on assigning outlook to credit ratings](#)

[CARE's policy on Default recognition](#)

### **About the company**

TT Ltd (formerly Tirupati Texknit Ltd) was incorporated in 1978, as a public limited company, with facilities to manufacture knitted fabric at Ghaziabad. It gradually entered into the manufacturing of combed cotton yarn and undergarments at various locations in Uttar Pradesh, Gujarat and Tamil Nadu. TTL has a network of job-workers and franchise units for manufacturing and marketing of the undergarments and knitwear garments at various locations including Tirupur, Kolkata, Delhi, Varanasi, Saharanpur, Kanpur and Ludhiana, which are sold under the brand name "TT".

(Rs. Crore)

Particulars for the year ended at March 31,	2017(A)	2018(A)
Total Operating Income	681.89	511.36
PBILDT	40.31	30.03
PAT	2.15	-14.74
Overall Gearing (times)	3.04	2.94
Interest Coverage (times)	1.24	1.01

A: Audited

### **Status of non-cooperation with previous CRA:**

Not Applicable

### **Any other information:**

Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Short Term	-	-	-	146.85	CARE A4
Non-fund-based-Short Term	-	-	-	11.00	CARE A4
Term Loan-Long Term	-	-	March 2025	59.71	CARE BB; Stable
Fund-based-Cash credit	-	-	-	50.00	CARE BB; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based-Short Term	ST	146.85	CARE A4	-	1)CARE A4 (15-Mar-18)	1)CARE A4 (09-Jan-17)	1)CARE A4 (02-Dec-15)
2.	Non-fund-based-Short Term	ST	11.00	CARE A4	-	1)CARE A4 (15-Mar-18)	1)CARE A4 (09-Jan-17)	1)CARE A4 (02-Dec-15)
3.	Term Loan-Long Term	LT	59.71	CARE BB; Stable	-	1)CARE BB; Stable (15-Mar-18)	1)CARE BB; Stable (09-Jan-17)	1)CARE BB (02-Dec-15)
4.	Fund-based-Long Term	LT	50.00	CARE BB; Stable	-	1)CARE BB; Stable (15-Mar-18)	1)CARE BB; Stable (09-Jan-17)	1)CARE BB (02-Dec-15)

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