



SMERA RATINGS LIMITED

TDB Spinners Private Limited (TSPL)

*Rating
Rationale***September 08, 2015**

| Facilities | Amount (Rs. Crore) | Ratings |
|-----------------------|--------------------|-----------------------------|
| Cash Credit | 5.00 | SMERA BB-/Stable (Assigned) |
| Export Packing Credit | 6.00 | SMERA A4 (Assigned) |

SMERA has assigned ratings of '**SMERA BB-**' (read as **SMERA double B minus**) and '**SMERA A4**' (read as **SMERA A four**) to the Rs.11.00 crore bank facilities of TDB Spinners Private Limited (TSPL). The outlook is '**Stable**'. The ratings have taken into account the consolidation of the business and financial risk profiles of TSPL and M.K. Cotex (MKC) together referred to as the TDB Group. The consolidation is due to the common ownership and operational linkages within the group.

The ratings are constrained by the company's weak profitability in a highly competitive and fragmented textile industry and exposure of the company to raw material price volatility. However, the ratings draw comfort from the group's experienced management and moderate financial risk profile.

Outlook: Stable

SMERA believes that the TDB Group will continue to benefit over the medium term on account of its experienced management in the textile industry. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in revenues and significant improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the group's financial risk profile on account of large debt-funded capex plans.

Rating Sensitivity Factors

- Higher-than expected growth in revenue along with significant improvement in profitability
- Debt funded capex plans

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About the Company

TSPL, incorporated in 1996, is an Indore-based company that was taken over in 2006 by Mr. Akhilesh Gupta and Mr. Amrish Gupta who possess around a decade experience in the textile industry. The company is engaged in the manufacturing and trading of cotton and blended yarn (polyester and viscose) of count ranging from 8s to 40s at its manufacturing plant at Indore, Madhya Pradesh. TSPL reported net profit of Rs.0.75 crore (provisional) on operating income of Rs.183.45 for FY2014-15 as compared to net profit of Rs.1.15 crore on operating income of Rs.216.40 crore for FY2013-14. The company's net worth stood at Rs.11.67 crore (provisional) as on March 31, 2015 as compared with Rs.10.19 crore as on March 31, 2014.

About the TDB Group

The TDB Group reported net profit of Rs.0.96 crore (provisional) on operating income of Rs.205.90 crore for FY2014-15 as compared to net profit of Rs.0.39 crore on operating income of Rs. 249.85 crore for FY2013-14. The group's net worth stood at Rs.13.51 crore (provisional) as on March 31, 2015, as compared with Rs.12.06 crore as on March 31, 2014.

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