

TDB Spinners Private Limited: Reaffirmed

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

SMERA has reaffirmed the long term rating of '**SMERA BB-' (read as SMERA double B minus)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs.11 crore bank facilities of TDB Spinners Private Limited (TSPL). The outlook is '**Stable**'.

To arrive at the rating, SMERA has consolidated the business and financial risk profiles of TDB Spinners Private Limited (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 continue to draw comfort from the firm's established track record of operations, improving operating profitability and moderate financial risk profile. However, the ratings are constrained by the declining revenue growth rate, working capital intensive operations and the highly competitive and fragmented industry.

Updates

The Indore-based TDB group is engaged in the ginning and pressing of cotton. The group focuses on in-house manufacturing rather than outsourcing operations resulting in improvement in operating profitability over the previous years. The EBITDA margins increased from 2.17 percent in FY2014-15 to 5.04 percent in FY2015-16. The financial risk profile is marked by moderate gearing of 1.48 times as on 31 March, 2016 as against 1.83 times on 31 March 2015. The interest coverage ratio stood at 1.42 times for FY2015-16. The liquidity profile is stretched as it continues to fully utilise working capital limit.

The revenue of the group declined by 71.45 percent in FY2015-16 compared to the previous year with the stopping of out-sourcing of job work to manufacture cotton yarn. Outsourcing had affected operating margins and was not viable. Revenue contribution from manufacturing through out-sourcing contributed around 60 percent of total revenues. The group's operating income stood at Rs.58.32 crore in FY2016 as compared to Rs.204.25 crore in FY2015.

The operations are working capital intensive with high Gross Current Assets (GCAs) of 177 days in FY2015-16 on account of high debtor and inventory levels of 90 and 87 days respectively. The rating also factors in the group's presence in the highly fragmented and competitive textile industry.

Rating Sensitivity Factors

- Scaling up operations while maintaining comfortable financial risk profile
- Changes in government regulations

Outlook: Stable

SMERA believes that the TDB Group will maintain a stable outlook and continue to benefit over the medium term from the promoters' extensive experience in the textile industry. The outlook may be revised to 'Positive' if the group achieves higher than expected revenues while maintaining liquidity profile. Conversely, the outlook may be revised to 'Negative' if the group fails to achieve scalability or if the financial risk profile deteriorates.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

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 decades 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 Madhya Pradesh. TSPL reported net profit of Rs.0.09 crore on operating income of Rs.42.11 for FY2015-16 as compared to net profit of Rs.0.19 crore on operating income of Rs.181.80 crore for FY2014-15.

About the TDB Group

The TDB Group reported net profit of Rs.0.21 crore on operating income of Rs.58.32 crore for FY2015-16 as compared to net profit of Rs.0.65 crore on operating income of Rs. 204.25 crore for FY2013-14.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
08 Sept, 2015	Cash Credit	5.00	SMERA BB- (Assigned)	-	Stable
	Export Packing Credit	6.00	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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