

### T.C. Terrytex Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit*#@	106.00 (enhanced from 96.50)	SMERA BBB-/Stable (Reaffirmed)
Term Loan^	41.35 (reduced from 55.99)	SMERA BBB-/Stable (Reaffirmed)
Bill Discounting	5.00	SMERA A3 (Assigned)
Letter of Credit	23.00 (enhanced from 22.00)	SMERA A3 (Reaffirmed)
Forward Contract Limit	3.46 (enhanced from 2.89)	SMERA A3 (Reaffirmed)
Bank Guarantee	2.00	SMERA A3 (Reaffirmed)
Standby Limit under exporter Gold card	3.50	SMERA A3 (Reaffirmed)
Stand by Line of Credit	5.00 (enhanced from 3.50)	SMERA A3 (Reaffirmed)
Proposed Facility	0.69 (reduced from 3.62)	SMERA BBB-/Stable/SMERA A3 (Reaffirmed)

\*Sub limit is EPC/FBD to the extent of Rs.7.17 crore, FBP (Non LC) to the extent of Rs.4.17 crore and EBUC (ODBC) to the extent of Rs.1.00 crore within overall CC limit.

#Sub limit is PC/PCFC to the extent of Rs.2.00 crore and FDBP (Non LC) to the extent of Rs.1.50 crore.

@Sublimit is packing credit to the extent of Rs.1.50 crore and FDDBP/FDUBD/RDBF/RUBF/AAABC to the extent of Rs.1.83 crore.

^Sublimit is FLC within term loan for one year.

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and short-term rating of '**SMERA A3**' (read as SMERA A three) on the Rs.185.00 crore bank facilities. SMERA has also assigned rating of '**SMERA A3**' (read as SMERA A three) to the Rs.5.00 crore short-term bank facility of T. C. Terrytex Limited (TCTL). The outlook is '**Stable**'.

The ratings continue to draw support from the company's experienced management and established customer base. Further, the ratings also draw support from the moderate financial risk profile marked by moderate gearing, interest coverage ratio and benefits derived from TUFS (Technology Upgradation Fund Scheme).

However, the ratings are constrained by the company's low profitability margin, exposure to fluctuations in forex and the intensely competitive segment of the textile industry. SMERA also notes that there is muted revenue growth in FY2015-16.

TCTL, incorporated in 2005 manufactures terry towels, dyed yarn and exports the same to Australia, USA, Germany and Netherlands. The company was promoted by Mr. Akhil Satia who possesses more than a decades experience in the textile industry. The manufacturing facility of the company is located at Punjab. The installed capacity for towels and yarns is 26 tons and 15 tons per day respectively.

## Updates

The company has moderate gearing (debt-to-equity) at 1.64 times as on March 31, 2016 against 1.80 times in FY2014-15. Moreover, the interest coverage ratio marginally declined to 2.05 times in FY2015-16 against 2.13 times in FY2014-15. The operating margin declined to 11.40 percent in FY2015-16 against 12.03 per cent in FY2014-15. The net profitability margin stood low at 0.46 per cent in FY15-16 against 0.42 per cent in FY14-15. TCTL has high working capital cycle at 143 days in FY2015-16 as compared to 136 days in FY2014-15. The company is exposed to forex fluctuation risk since products are exported to Australia, USA, Germany and Netherlands. The company operates in an intensely competitive segment of the textile industry. TCTL has seen muted growth in revenue at Rs.379.65 crore in FY2015-16 as compared to Rs.365.19, crore in the previous year.

## Rating Sensitivity Factors

- Improvement in revenue and profitability margin
- Improvement in working capital cycle.

## Outlook: Stable

SMERA believes that the outlook on TCTL's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company registers significant increment in its revenue with improvement in the liquidity position. The outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and stretched working capital cycle.

## Criteria applied to arrive at the ratings:

- Manufacturing Entities

## About the Company

TCTL, incorporated in 2005, is a Punjab-based company engaged in the manufacture of terry towels and dyed yarn at Punjab. The company sells the same in the domestic market and also exports to Australia, USA, Germany and Netherlands.

For FY2015-16, the company reported profit after tax (PAT) of Rs.1.75 crore on operating income of Rs.379.65 crore, as compared with PAT of Rs.1.53 crore on operating income of Rs.365.19 crore in FY2014-15. The net worth stood at Rs.100.01 crore as on March 31, 2016 against Rs.94.23 crore a year earlier.

**Rating History:**

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
18 Dec, 2015	Cash Credit	96.50	SMERA BBB- (Assigned)	-	Stable
	Term Loan	55.99	SMERA BBB- (Assigned)	-	Stable
	Letter of Credit	22.00	-	SMERA A3 (Assigned)	-
	Forward Contract Limit	2.89	-	SMERA A3 (Assigned)	-
	Bank Guarantee	2.00	-	SMERA A3 (Assigned)	-
	Standby Limit under exporter Gold Card	3.50	-	SMERA A3 (Assigned)	-
	Stand by line of Credit	3.50	-	SMERA A3 (Assigned)	-
	Proposed Facilities	3.62	SMERA BBB- (Assigned)	SMERA A3 (Assigned)	Stable

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