

**December 18, 2015**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	96.50	SMERA BBB-/Stable (Assigned)
Term Loan	55.99	SMERA BBB-/Stable (Assigned)
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-/Stable/SMERA A3 (Assigned)

SMERA has assigned a long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' to the Rs.190.00 crore bank facilities of T. C. Terrytex Limited (TCTL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management, large and consistently growing scale of operations and established customer base. Further, the ratings also draw support from the healthy net worth and interest coverage ratio, and benefits derived from TUFs (Technology Upgradation Fund Scheme). However, the ratings are constrained by the company's exposure to fluctuation risk in forex and raw material prices.

TCTL is a part of the Satia group, manufactures and exports dyed yarn and terry towel. The company is managed by Mr. Akhil Satia, who possesses more than a decade experience in the textile industry.

TCTL's operating income has grown at a CAGR of 23 per cent in the past three years ending March 2015. The operating revenue of the company increased to Rs.365.19 crore in FY2015 from Rs.239.54 crore in FY2013.

TCTL caters to the domestic as well as overseas markets. The company exports terry towels to Australia, USA, Germany and Netherlands. Its exports constituted ~45 percent in FY2015. Also, the company's client list includes reputed names such as Kmart Australia Limited, Domtex Australia, Welspun Global among others. With regard to the domestic market, its customers are spread across the states of Tripura, Maharashtra and Ludhiana.

TCTL has a healthy net worth of Rs.94.23 crore as on March 31, 2015 as compared to Rs.92.67 crore as on March 31, 2014. Interest coverage ratio of the company is healthy at 2.13 times in FY2015

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improved from 1.96 times in FY2014. The company has availed of interest subsidy benefits of 5 per cent under TUFS.

### Rating Sensitivity Factors

- Deterioration in the financial risk profile
- Working capital management

### 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.

### About the Company

TCTL incorporated in 2005 is a Punjab based company, was promoted by Mr. Akhil Satia. The company has installed capacity of 7000 tonnes per annum for terry towel and 5400 tonnes for dyed yarn. It manufactures dyed yarn and terry towels at its facilities in Punjab and sells the same in the domestic market and also exports to Australia, USA, Germany and Netherlands.

TCTL reported net cash accrual (NCA) of Rs.23.57 crore on operating income of Rs.365.19 crore for FY2014-15, as compared with NCA of Rs.18.74 crore on operating income of Rs.320.39 crore in FY2013-14.

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