Press Release

Thangamman Textile Private Limited

October 11, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' **(read as ACUITE B plus)** on the Rs. 13.00 crore bank facilities of THANGAMMAN TEXTILE PRIVATE LIMITED. The outlook is **'Stable'**.

Thangamman Textiles Private Limited (TTPL) is a Tamil Nadu based company was incorporated in the year 2000. It is engaged in dying of fabrics. Its manufacturing facility is located at Cuddalore, Tamil Nadu with an installed capacity of eight tons per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the TTPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter of the company Mr. Nachimuth Natrayan, possess about three decades of experience in the textile industry. He has been in the textile business since 1992. He is also a managing partner in 'Thangamman Fashions' and 'Thangamman Process' which is into dying and manufacturing of garments. The company has benefitted from the promoter experience reflected in healthy revenue growth from Rs.2.92 crore in FY2016 to Rs.13.08 crore in FY2018 (Provisional). Further, operating margins stood healthy at 20.89 percent in FY2018 (Provisional) and 24.04 percent in FY2017. Acuité believes that, the revenue profile of the company is expected to improve in the medium term on account capacity expansion planned during FY2019. .

- **Moderate financial risk profile**

The promoter of the company Mr. Nachimuth Natrayan, possess almost three decades of experience in the textile industry. He has been in the textile business since 1992. He is also a managing partner in 'Thangamman Fashions' and 'Thangamman Process' which is into dying and manufacturing of garments. The company has benefitted from the promoter experience reflected in healthy revenue growth from Rs.2.92 crore in FY2016 to Rs.13.08 crore in FY2018 (Provisional). Further, operating margins stood healthy at 20.89 percent in FY2018 (Provisional) and 24.04 percent in FY2017. Acuité believes that, the revenue profile of the company is expected to improve in the medium term on account capacity expansion planned during FY2019.

Weaknesses

- **Modest scale of operations**

The operations of the company remained modest with revenues of Rs.2.92 crore in FY2016, Rs.10.08

crore in FY2017 and Rs.13.08 crore in FY2018 (Provisional). Further, revenues of the company are expected to be modest with expected revenues of Rs.18-25 crore over the medium term. Acuité believes that, the ability of the company to increase the scale of operations would be the key rating sensitivity factor over the medium term.

- **Working capital intensive operations**

  Operations of the company are working capital intensive marked by high Gross Current Assets (GCA) of 155 days in FY2018 (Provisional) as against 160 days in FY2017. This is mainly on account of extended credit terms with customers of around 3 to 4 months. The same has reflected in debtors at 120 days in FY2018 (Provisional) and 130 days in FY2017. Inventory stood at 16 days in FY2018 (Provisional) as against 22 days in FY2017. The same is supported by credit from suppliers of about 126 days in FY2018 (Provisional). Acuité believes that, operations are expected to be working capital intensive on account of extended credit terms to the customers.

- **Risk related to planned debt funded capital expenditure**

  The company is planning capital expenditure of Rs.6.83 crore to increase the production capacity. The project is funded through term loan of Rs.5.00 crore and Rs.1.83 crore unsecured loans from the promoter. Acuité believes that the company is exposed to significant project execution risk in case of time and cost overruns or delay in debt tie-up.

Outlook: Stable

Acuité believes that TTPL will maintain a 'Stable' outlook and continue to benefit over the medium term from its promoters' extensive experience in the textile industry. The outlook may be revised to 'Positive' in case of significant growth in revenues while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or in case of significant time or cost overruns while executing the project.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	13.08	10.08	2.92
EBITDA	Rs. Cr.	2.73	2.42	1.13
PAT	Rs. Cr.	1.24	1.37	-1.09
EBITDA Margin	(%)	20.89	24.04	38.56
PAT Margin	(%)	9.49	13.59	-37.40
ROCE	(%)	15.16	12.72	3.63
Total Debt/Tangible Net Worth	Times	0.86	1.02	1.55
PBDIT/Interest	Times	4.14	3.02	2.00
Total Debt/PBDIT	Times	2.25	2.48	6.21
Gross Current Assets (Days)	Days	155	160	272

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	3.20	ACUITE B+ /Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable
Working capital demand loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE B+ / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	5.80	ACUITE B+ / Stable
Proposed Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE B+ / Stable

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About Acuité Ratings & Research:
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