



SMERA RATINGS LIMITED

Turbo Retail Private Limited (TRPL)**Rating
Rationale****April 17, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	7.00	SMERA B/Stable (Assigned)
Term Loan	1.30	SMERA B/Stable(Assigned)
Letter of credit	0.50	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA single B**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.8.80 crore bank facilities of Turbo Retail Private Limited (TRPL). The outlook is '**Stable**'. The ratings are constrained by the company's declining operating profit margins and stretched working capital cycle. The ratings are also constrained by the company's exposure to intense competition prevalent in the readymade garments industry. However, the ratings are supported by the company's healthy revenue growth and experienced management.

TRPL, incorporated in February 2009, is a Ludhiana-based company engaged in designing and manufacturing of readymade garments for women. TRPL's operating profit margin has declined from 7.31 per cent in FY2011-12 (refers to financial year, April 01 to March 31) to 5.75 per cent in FY2012-13 on account of increase in raw material prices. The company's working capital cycle is stretched at 105 days in FY2012-13. Further, TRPL's working capital limit utilisation is high at ~97 per cent during July 2013 to February 2014. The company has moderate debt protection metrics, as reflected in leverage (debt-equity ratio) of 2.02 times as on as on March 31, 2013 and interest coverage ratio of 2.46 times in FY2012-13. TRPL's total debt of Rs.6.22 crore (as on March 31, 2013) includes interest-free unsecured loans of Rs.1.34 crore from promoters.

TRPL faces intense competition from several small and medium-sized retailers in the unorganized sector of the readymade garments industry. The company's business operations are susceptible to changing customer preferences on account of varying fashion trends.

TRPL's revenues increased at a healthy compound annual growth rate (CAGR) of 50 per cent during the past four years. The company reported revenues of ~Rs.34.25 crore (provisional) during April 2013 to February 2014, as compared with revenues of Rs.25.11 crore in FY2012-13. TRPL benefits from its experienced management. Mr. Guneet Singh, director of TRPL, has around ten years of experience in the readymade garments industry.

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**Rating
Rationale**

Outlook: Stable

SMERA believes that the outlook on TRPL's rated facilities will remain stable over the medium term on account of the company's healthy revenue visibility. The outlook may be revised to 'Positive' in case the company continues to expand its scale of operations while achieving better profit margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected cash flows, or in case of deterioration in the company's financial profile.

About the company

TRPL, incorporated in February 2009, is a Ludhiana-based company promoted by Mr. Ravinder Pal Singh, Mr. Inder Mohan Singh, Mr. Guneet Singh and Mr. Japneet Singh. TRPL is engaged in designing and manufacturing of readymade garments for women. The company's product range includes tee-shirts, tops, tunics, long dresses, sweatshirts, cotton sweaters, jackets and coats; which are sold under the brand name of 'Juelle'.

For FY2012-13, TRPL reported PAT of Rs.0.55 crore on operating income of Rs.25.11 crore, as compared with PAT of Rs.0.52 crore on operating income of Rs.16.62 crore for FY2011-12. The company's net worth stood at Rs.3.07 crore as on March 31, 2013, as compared with Rs.2.03 crore a year earlier. TRPL reported revenues of ~Rs.34.25 crore (provisional) during April 2013 to February 2014.

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