

July 24, 2015

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>7.50</b>	<b>SMERA BB-/ Stable (upgraded from SMERA B/Stable)</b>
<b>Proposed</b>	<b>0.80</b>	<b>SMERA BB-/Stable (upgraded from SMERA B/Stable)</b>
<b>Letter of Credit</b>	<b>0.50</b>	<b>SMERA A4+ (upgraded from SMERA A4)</b>

SMERA has upgraded the long-term rating on Rs.8.30 crore bank facilities of Turbo Retail Private Limited (TRPL) to '**SMERA BB-**' (read as SMERA double B minus) from '**SMERA B**' (read as SMERA single B). The outlook is '**Stable**'. SMERA has also upgraded the short-term rating to '**SMERA A4+**' (read as SMERA A four plus) from '**SMERA A4**' (read as SMERA A four) on Rs.0.50 crore bank facility of the company.

The upgrade reflects the consistent improvement in TRPL's financial risk profile, primarily driven by improving capital structure, with the trend likely to continue going forward as well. The upgrade also factors in the consistent growth in the company's revenues, having grown at around 30% CAGR over the past three years; this healthy growth is expected to continue going forward.

Ratings continue to derive support from the company's experienced management and moderate financial risk profile. However, the ratings continue to remain constrained by the company's stretched working capital cycle and exposure to intense competition in the readymade garments industry.

### Update

TRPL has shown consistent revenue growth over the years registering Rs.36.41 crore in FY2014-15 from Rs.8.79 crore in FY2010-11. TRPL continues to benefit from its experienced management. The company director, Mr. Guneet Singh has more than ten years of experience in the readymade garments industry.

TRPL's moderate financial risk profile is reflected in gearing (debt-equity ratio) of 1.12 times as on March 31, 2015 as compared to 2.17 times as on 31<sup>st</sup> March 2012 and interest coverage of 2.07 times in FY2014-15 (refers to financial year, April 01 to March 31). Improvement in the financial risk profile is primarily due to improved capital structure on account of infusion of unsecured loans by the promoters.

The company has subordinated unsecured loans of Rs.1.66 crore from related parties. SMERA has treated such unsecured loans as quasi-equity.

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TRPL's operating profit margin has remained consistent and stands moderate at 5.67 per cent in FY2014-15 (refers to financial year, April 01 to March 31) as compared to 5.41 per cent in FY2013-14. Going forward operating profit margins of the company are expected to remain consistent and range between ~5.5-6%.

#### **Outlook: Stable**

SMERA believes TRPL will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in revenues and accrual, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues or deterioration in company's profit margins and debt protection metrics.

#### **About the Company**

TRPL, incorporated in 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".

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