October 28, 2013

Facilities	Amount (Rs. Crore)	Ratings
Proposed Cash Credit	**4.50**	**SMERA BBB-/Positive (Assigned)**
Proposed Bill Discounting	**2.00**	**SMERA A3 (Assigned)**
Proposed Letter of Credit	**2.00**	**SMERA A3 (Assigned)**
Proposed Bank Guarantee	**2.50**	**SMERA A3 (Assigned)**

SMERA has assigned a long-term rating of **'SMERA BBB-' (read as SMERA Triple B Minus)** and a short-term rating of **'SMERA A3' (read as SMERA A Three)** to the Rs.11.00 crore proposed bank facilities of Tex Corp Limited (TCL). The outlook is **'Positive'**. The ratings are supported by the company's long and established track record of operations, reputed clientele, strong debt protection metrics and comfortable liquidity position. The ratings are further supported by the company's moderate order book position, geographically diversified operations and experienced management. However, the ratings are constrained by the company's exposure to intense competition, raw material price volatility and foreign exchange fluctuation risk.

TCL, incorporated in 1982, is a Gurgaon-based company engaged in manufacturing zippers and pullers for zippers. The company caters to various reputed customers including Shahi Export Private Limited, India Defense, Texport Overseas Private Limited and Arvind Mills Limited. TCL has strong debt protection metrics with leverage at 0.07 times as on March 31, 2013 and interest coverage ratio of 5.71 times in FY2012–13 (refers to financial year, April 01 to March 31).The company's cash credit utilization stands at about 41 per cent during September 2012 to August 2013. The operating cycle of the company is around 40 days.TCI has orders worth Rs.2.50 crore (as on September 16, 2013), which are likely to be executed within this month.

TCL has a subsidiary in Bangladesh. The company also has a partnership firm (under the same management) at Uttarakhand. Tex Zippers BD, the Bangladesh-based subsidiary of TCL, registered revenues of Rs.40.26 crore and net profit margin of 22 per cent in FY2012–13. Tex Zippers BD benefits from the low cost labour and raw material in Bangladesh.

The promoter-directors of the company, Mr. Anil Tandon, Mr. Gautam Nair and Mr. Rajeev Dhawan have more than two decades of experience in Garment industry.

TCL operates in a highly competitive and fragmented industry. The company imports Brass wire & Zinc alloys in order to meet its raw material requirement which is subject to volatile & foreign exchange fluctuation. TCL's operating profit margin declined from 12.95 per cent in FY 2008–09 to

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4.56 per cent in FY2010–11 due to subdued market conditions, which restricted the company's ability to pass on increase in raw material prices to customers. However, the company's OPBDIT margins increased from 5.59 per cent in FY2011–12 to 8.33 per cent in FY2012–13 due to better sales realization.

Outlook: Positive

SMERA believes TCL will improve its business risk profile in the medium term on the back of repeat orders from customers. The outlook may be revised to 'Stable' in case the company fails to achieve the projected revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's revenues or profit margins.

About the company

TCL, established in 1982, is a Gurgaon-based company promoted by Mr. Anil Tandon, Mr. Gautam Nair and Mr. Rajeev Dhawan. TCL is engaged in manufacturing of zippers and pullers for zippers. The company and its related entities have three manufacturing units in Gurgaon (Haryana), Roorkee (Uttarakhand) and Narayanganj (Bangladesh).

For FY2012–13, TCL reported PAT of Rs.2.07 crore on operating income of Rs.46.80 crore as compared with PAT of Rs.0.27 crore on operating income of Rs.38.66 crore for FY2011–12. The company's net worth stands at Rs.22.11 crore as on March 31, 2013 as compared with Rs.20.97 crore a year earlier.

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