

Rating Rationale

Brickwork Ratings on a review reaffirms ratings at 'BWR BB+/A4+' for the Bank Loan facilities aggregating ₹19.13 Cr of Shri T P Textiles Pvt. Ltd

On a review, Brickwork Ratings (BWR) reaffirmed the following **Ratings¹** for the Bank Loan Facilities of Rs. 19.13 Cr of Shri T P Textiles Pvt. Ltd. (*'TPTPL' or "The Company"*).

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Rating History Dec 2015	Review Rating
Fund Based					
Cash Credit	13.00	13.00	Long Term	BWR BB+ (Outlook Stable)	BWR BB+ (BWR Double B Plus) (Outlook Stable) Reaffirmation
Term Loan Existing Fresh	5.00	3.70* 1.25			
Non-Fund Based					
Bank Guarantee	0.22	0.18	Short Term	BWR A4+	BWR A4+ (BWR A four Plus) Reaffirmation
Letter of credit	1.00	1.00			
Total	19.22	19.13	INR Nineteen Crore and Thirteen Lakhs Only		

Term Loan O/s as on 16.09.2016

BWR has essentially relied upon the audited financial of the Company up to FY16, projected financials up to FY-18, publicly available information and information/clarifications provided by the Company's management.

The ratings continue to derive its strengths from vast experience of the promoters, comfortable coverage ratios and low gearing profile. The ratings also derive its comforts from improvement in scale of operations in FY16. However, ratings are constrained by declining operating profitability margins, volatility in raw material pricing, agro based nature of business and stiff competition in the industry.

Background:

Shri T P Textiles Pvt Ltd, formed by amalgamating two partnership firms Viz. T.P. Cotton Textiles and Shri Tee Pee Spinners in May'1996. The above two firms were earlier running spinning mills. Registered office of the Company is located in Rajapalayam, Tamil Nadu. Company has two manufacturing units, located at R.Reddiapatti and Pillayarkulam, Tamil Nadu. The Company is engaged in manufacturing of cotton yarn and also varieties of Combed and Carded yarns. Company is utilizing ~99% of installed capacities.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

As per FY16 audited financials, Net revenues has improved from Rs. 42.85 Crs in FY15 to Rs.51.98 Crs. Continuous decline in Operating profit margin from 13.52% in FY15 to 12.97% in FY16 on account of volatility in raw material pricing. Tangible net worth (TNW) improved from Rs. 16.04 Crs in FY14 to Rs. 18.39 Crs in FY16 due to retention of profits. Capital structure slightly deteriorate from 0.81X in FY15 to 1.01X in FY16 mainly due to availment of vehicle loans however remained at comfortable level. Gearing level when adjusted with unsecured loans reported at 0.80X. Comfortable coverage indicators reported in FY16. Liquidity position continued to be adequate position from past three years.

Rating Outlook:

The Outlook is expected to remain stable over the next one year. Going forward, the ability of the Company to improve its profitability margins, to retain the capital structure achieved, prompt repayment of debt obligations and effectively manage its working capital cycle will be the key rating sensitives.

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