



Press Release

T C Spinners Private Limited

June 24, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	229.00*	IVR BBB/Stable (IVR Triple B with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	1.00	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Total	230.00	(Rupees Two Hundred and Thirty Crore Only)			

**Including proposed bank facility of Rs. 8.00 crore*

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned the long-term rating of IVR BBB with a Stable outlook and short-term rating of IVR A3+ for the bank loan facilities of T C Spinners Private Limited (TCSPL).

The rating assigned to the TCSPL factors in company's established operational track record of around two decades in the yarn manufacturing industry & experienced management. Besides, the rating draws comfort from the company's growing scale of operations & comfortable financial risk profile, aided by healthy cash accruals along with the comfortable capital structure. Additionally, the rating considers locational advantage of the plant owing to proximity to raw material sources and consumption centres. The ratings, however, are constrained by the fragmented structure of the spinning industry. Also, the company's profitability and cash flows are likely to remain vulnerable to the fluctuations inherent in the textiles industry and the volatility in cotton prices and realisations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes that TCSPL will continue to benefit from its operational track record in the business.

IVR has principally relied on the standalone audited financial results of TCSPL up to FY23 (refers to period April 1st, 2022, to March 31st, 2023) and provisional results of FY24 (refers to period April 1st, 2023, to March 31st, 2024) and three years projected financials till FY27, along with publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:



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Upward Factors

- Sustained growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals.
- Consistent cash generation and prudent working capital management resulting in sustained healthy capital structure.

Downward Factors

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.
- Moderation in overall gearing above 1.75x on sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record of operations and experienced management:

TCSPL commenced its operations in 2006 and has a successful track record of around two decades in the existing line of business. The company is being managed by Mr. Dhruv Satia being the Managing Director who has experience of more than 15 years in the cotton & yarn business. He is supported by other two directors namely, Mr. Rahul Goyal & Mr. Rajesh Kumar who have experience of more than 20 years in cotton & yarn business, supported by qualified and well experienced management team.

Locational advantage owing to proximity to raw material sources and consumption centres:

Company's presence in the state of Punjab enables it to easily procure raw material i.e., cotton, from Gujarat & Haryana which are one of the largest cottons growing state in India. Favourable location of the plant also enables the company to save on logistics costs. Further, Punjab also being one of major textile hub drives demand for company's product and provides competitive advantage.

Growing scale of operations & Profitability:

The total operating income (TOI) of the company has witnessed y-o-y growth of ~43% in FY24(Prov.) as against FY23. The company has registered TOI of Rs. 475.78 crore in FY24(Prov.) against Rs. 333.76 crore in FY23 (PY: Rs 403.84 crore). The increase in the TOI in FY24 (Prov.) is mainly on account of incremental revenue from the sale of cotton yarn which has generated revenue of Rs. 362.43 crore in FY24(Prov.) as against Rs. 222.90 crore in FY23. The profitability of the company in terms of EBITDA & PAT margin has improved from 6.95% & -0.79% in FY23 to 7.75% & 0.98% in FY24(Prov.) respectively.



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Company also reported increase in exports from Rs. 0.32 crore in FY23 to Rs. 56.19 crore in FY24(Prov.).

Comfortable leverage

The capital structure of the company remains at comfortable level despite large capex incurred by the company of ~ Rs. 170 crore for the installation of new unit & upgradation of existing unit in last two financial years. The overall gearing was at 1.63x as on March 31, 2023, which has now improved to 1.18x as on March 31, 2024(Prov.) owing to capital infusion of ~Rs. 26.00 crore in the form of preference share (as a part of share application money). Total indebtedness remained comfortable as reflected by TOL/ATNW of 1.37x in FY24(Prov.) as against 2.13x in FY23. The debt protection metrics also remained comfortable marked by interest service coverage ratio (ISCR) at 2.43x in FY24(Prov.) (3.98x in FY23) and debt service coverage ratio (DSCR) at 1.50x in FY24(Prov.) (2.53x in FY23).

Key Rating Weaknesses

Susceptibility to volatility in raw material prices & forex fluctuations:

The company derives almost all its total revenue from the yarn segment, which is susceptible to volatility in cotton and cotton yarn prices. Prices & demand of both raw materials and finished goods are driven by international & domestics demand-supply dynamics. As a result, the operating margin along with the realisation keeps on fluctuating in tandem with the market conditions. Additionally, as company derives close to 12% (expected to reach level of ~35% in projected years) of its revenues from the overseas markets, it is also susceptible to volatility in forex rates.

Operating in intensely competitive industry:

The cotton yarn industry is highly commoditized. The high degree of fragmentation and commoditized nature has caused intense competition among cotton processing units. Entry barriers in cotton processing business are low on account of limited capital and technology requirements and low differentiation in end product. This leads to intense competition and limits players' pricing power, resulting in low profitability. Since raw cotton is an agricultural commodity, its availability is limited and primarily depends on the monsoon.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)



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Liquidity – Adequate

The liquidity position of the company is expected to remain adequate as marked by cash accruals of Rs. 22.36 crore in FY24(Prov.) against current debt obligations of Rs. 9.77 crore. Its expected net cash accrual is in the range of Rs 28-38 crore during FY25-FY27 which will be sufficient to cover the debt repayment obligations of ~Rs. 16.00 crore per year over the medium term. The bank limit remained utilised at ~92% during the last twelve months ended 31st May 2024. Cash & cash equivalent of the company stands at Rs. 0.39 crore as on March 31, 2024. The current ratio remains comfortable at 1.34x as on March 31, 2024(Prov.)(PY: 1.45x).

About the Company

T C Spinners Private Limited (TCSPL), based out of Lalru, Mohali (Punjab), was incorporated in September 2006 and started its operations with the acquisition of cotton spinning facility of Euro Cotspin Limited from Punjab National Bank under the SARFAESI Act 2002. TCSPL is engaged in the business of manufacturing of cotton yarn, open end yarn and spun sewing thread at its manufacturing facility located at Mohali, Punjab with total installed capacity of 22,048 Tonne per annum, as on March 31, 2024. The company manufactures 100% cotton yarn (carded, combed, compact & open end), 100% polyester yarn, Polyester/Cotton yarn of different count ranging from NE 10 to NE 60 depending upon the customer requirement.

Financials (Standalone):

	(Rs. crore)	
For the year ended/ As on*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	403.84	333.76
EBITDA	32.56	23.19
PAT	7.54	-2.62
Total Debt	68.28	198.81
Tangible Net Worth	92.74	122.08
EBITDA Margin (%)	8.06	6.95
PAT Margin (%)	1.86	-0.79
Overall Gearing Ratio (x)	0.74	1.63
Interest Coverage (x)	5.74	3.98

* As per Infomerics Standard

Status of non-cooperation with previous CRA: None

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/	Current Ratings (Year 2024-25)	Rating History for the past 3 years
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	Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based Facilities	Long Term	229.00	IVR BBB/Stable	-	-	-
2.	Non-Fund Based Facilities	Short Term	1.00	IVR A3+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	December, 2029	14.24	IVR BBB/Stable
Term Loan	-	-	March, 2026	2.06	IVR BBB/Stable
Term Loan	-	-	March, 2031	81.70	IVR BBB/Stable
Vehicle Loan	-	-	March, 2027	2.00	IVR BBB/Stable
Cash Credit	-	-	-	113.00	IVR BBB/Stable
Letter of Credit	-	-	-	1.00	IVR A3+
Bill Negotiation/Bill Discounting	-	-	-	8.00	IVR BBB/Stable
Proposed Long term bank facilities (CC)	-	-	-	8.00	IVR BBB/Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-TC-Spinners-jun24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.