



Press Release

Turtle Limited

November 30, 2023

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	52.80	IVR BBB- Positive; Withdrawn (IVR Triple B Minus with Positive Outlook; and withdrawn)	Reaffirmed and withdrawn	Simple
Short-Term Bank Facilities	8.20	IVR A3; Withdrawn (IVR A Three and withdrawn)	Reaffirmed and withdrawn	Simple
Long-Term/Short Term Bank Facilities (Proposed)	7.00	IVR BBB-; Positive; IVR A3 Withdrawn (IVR Triple B Minus with Positive Outlook, IVR A Three and withdrawn)	Reaffirmed and withdrawn	Simple
Total	68.00 (Rupees sixty- eight crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Turtle Limited (TL) continues to derive comfort from its established position in the men's branded apparel segment with healthy brand penetration and diversified presence across the country, underpinned by its long track record of operations under experienced promoters. Further, the ratings continue to draw strength from longstanding experience of the promoters particularly in the fashion retail industry. TL reported healthy growth in its scale of operations in FY23 supported by growth in discretionary spending by consumers with gradual improvement in economy and better footfalls with gradual removal of lock down restrictions. Consequently, the profit levels and gross cash accruals of the company has also improved leading to improvement in its debt protection metrics. However, these rating strengths continues to



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remain tempered by exposure to high competition in branded men's apparel segment, moderate capital structure, inherent risk of design obsolescence and consequent increase in slow moving inventory coupled with high working capital intensity of its operations.

Further, Infomerics Ratings has withdrawn the outstanding ratings of "IVR BBB-; Positive", "IVR A3" (IVR Triple B Minus; with Positive outlook, IVR A Three) assigned to the bank facilities of Turtle Limited with immediate effect. The above action has been taken at the request of Turtle Limited and 'No Objection Certificate' received from the banker that have extended the facilities rated by Infomerics Ratings.

Key Rating Sensitivities:

Upward Factors:

- Substantial and sustained growth in operating income and profitability leading to improvement in cash accruals and debt protection metrics.
- Improvement in the capital structure with improvement in the overall gearing ratio to below 1.5x
- Effective working capital management leading to improvement in liquidity.

Downward Factors:

- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis.
- Deterioration in overall gearing to over 3x and interest coverage to below 2x.
- Moderation in the liquidity position with elongation in its operating cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record under experienced promoters**

TL commenced operation in 1994 and accordingly has a long track record of operation of over two and half decades. The promoters, Mr. Sanjay Jhunhunwala and Mr. Amit Ladsaria (nephew of Mr. Jhunhunwala) are well experienced in the textile industry. Currently, Mr. Jhunhunwala (Managing Director) is at the helm of affairs of the company and Mr. Ladsaria looks after the marketing strategies of the company. The board is well supported by a team of experienced professionals.



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- **Healthy brand penetration**

TL's flagship brand, Turtle, enjoys strong recall in the men's casual wear segment, especially in Eastern India, with a long presence of over two decades. Despite high dependence on the menswear segment, an established presence and favourable growth prospects for the branded apparel industry are likely to aid in volume growth over the medium term.

- **Diversified presence across the country**

The company has established presence in over 400 towns and cities across the country. The stores are spread across Pan India with major presence in West Bengal, Orissa, Bihar, Assam and Jharkhand. Further, TL also has a strong distribution network and has its own exclusive online platform to boost its online presence.

- **Established arrangement with suppliers**

TL procures its raw materials from reputed players like, Arvind Limited, Raymond Luxury Cotton Ltd., Aditya Birla Nuvo Ltd., etc., or from large wholesalers as per the specific requirements of the company. The company has established supply arrangements with its vendors.

- **Improved operational performance with steady profit margins**

The total operating income of Turtle Limited has witnessed an y-o-y growth of ~85% to Rs.404.19 crore in FY23 against Rs.217.94 crore in FY22 underpinned by rise in its sales volume attributable to opening up of new showrooms coupled with rise in demand on the back of improvement in demand post covid era. With growth in its scale of operations, the EBITDA margin has also improved continued to remain satisfactory at 12.15% in FY23 against 11.34% of FY22. However, owing to rise in finance cost during FY23, PAT margin has moderated and stood at 2.50% in FY23 against 2.81% in FY21. The company has also witnessed improvement in its gross cash accrual from Rs.9.58 crore in FY22 to Rs.27.20 crore in FY23.

- **Moderate capital structure with improvement in debt protection matrices**

The capital structure of the company continues to remain moderate marked by debt equity ratio at 0.84x and overall gearing (Book TNW) ratio at 2.30x as on March 31, 2023. Overall indebtedness of the company marked by TOL/TNW has moderated and remains high at 5.85x as on March 31, 2023. Backed by improved absolute EBITDA, interest coverage ratio has improved to 2.80x in FY23 from 1.80x in FY22. Further, Total Debt/EBITDA and Total



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Debt/GCA has also improved to 2.46x and 4.76 years respectively as on March 31,2023 against 4.21x and 10.85 years respectively as on March 31,2022.

Key Rating Weaknesses

- **High working capital intensity**

TL's operations had remained working capital intensive, marked by its high operating cycle. However, the operating cycle has improved to 157 days in FY23 with reduction in average inventory and collection period.

- **Exposure to high competition in branded men's apparel segment**

Indian men's apparel industry is highly competitive due to presence of many established national and international brands and non-branded players. The company is to compete with established brands such as Allen Solly, John Players, Peter England, Zodiac, ColorPlus, Provogue, Arrow, Louis Philippe and Van Heusen. Furthermore, unorganized sector accounts for about 80-90% of the industry due to low entry barrier. Moreover, entry of large corporate houses in the retail space and increasing higher presence of foreign apparel brands in view of high scope in the fashion apparel industry will further intensify the competition. Intense competition reduces the pricing power of the industry players including TL and restricts its profitability. However, the products of the company are priced relatively lower as compared to the branded apparels marketed by the foreign companies.

- **Inherent risk of design obsolescence and consequent increase in slow-moving inventory**

Fashion apparel segment is prone to risk of design obsolescence pertaining to fast changing consumer preferences and continuous evolution of new designs which may translate into slow inventory movement or inventory write off. Further, fashion retailers and brands are forever contending with the very volatile issue of seasonality – having to ramp up inventories and then deplete them in a time-sensitive manner. To mitigate the same, maintaining freshness in product profile (in terms of design, colour, styling etc.), stock visibility, inventory intelligence, and operational agility to adopt quick changes in a timely manner are main challenges. Further, the company's business remains vulnerable to economic slowdown because of discretionary nature of consumer spending on these products.

Analytical Approach: Standalone



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Applicable Criteria:

[Policy on Withdrawal of ratings](#)

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

[Rating Methodology for Manufacturing Companies](#)

[Criteria on assigning rating outlook](#)

Liquidity: Adequate

The liquidity profile of TL is expected to remain adequate marked by its expected satisfactory cash accrual to meet its debt repayment obligations crore during FY24-FY26. However, high working capital utilisation along with high operating cycle of 158 days and high GCA days of 310 days restricts its liquidity.

About the Company

Headquartered in Howrah (West Bengal), TL (initially incorporated as a private limited company on August, 1992) was promoted by Kolkata based Mr. Sanjay Jhunjunwala and Mr. Amit Ladsaria. Presently, TL is engaged in designing and manufacturing of ready-made cotton menswear with its brand "Turtle".

Financials: Standalone

(Rs. crore)

For the year ended / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	217.94	404.19
EBITDA	24.72	49.11
PAT	6.14	10.10
Total Debt	103.99	129.57
Tangible Net worth	45.53	56.25
EBITDA Margin (%)	11.34	12.15
PAT Margin (%)	2.81	2.50
Overall Gearing Ratio (x)	2.28	2.30
Interest Coverage Ratio (x)	1.80	2.80

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/F	Current Ratings (Year 2023-24)	Rating History for the past 3 years
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	Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Sep 08, 2022)	Date(s) & Rating(s) assigned in 2022-23 (Apr 14, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Nov 03, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Aug 07, 2020)
1.	Cash Credit	LT	45.00	IVR BBB- Positive, withdrawn	IVR BBB-; Positive	IVR BBB-; Stable	IVR BBB-; CWDI*	IVR BBB-; CWDI
2.	GECL	LT	7.80	IVR BBB- Positive, withdrawn	IVR BBB-; Positive	IVR BBB-; Stable	-	-
3.	Letter Of Credit	ST	8.00	IVR A3 withdrawn	IVR A3	IVR A3	IVR A3 CWDI*	IVR A3 CWDI*
4.	Credit Exposure	ST	0.20	IVR A3 withdrawn	IVR A3	IVR A3	IVR A3 CWDI*	IVR A3 CWDI*
5.	Proposed	LT/ST	7.00	IVR BBB- Positive, A3 withdrawn	IVR BBB-; Positive/ IVR A3	IVR BBB-; Stable/ IVR A3	-	-

*CWDI- Credit Watch with developing implication

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com



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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
Long Term Fund Based Limits – Cash Credit	-	-	-	45.00	IVR BBB-; Positive Withdrawn
Long Term Fund Based Limits – GECL	-	-	Mar 2024	7.80	IVR BBB-; Positive Withdrawn
Short Term Fund Based Limits – Letter of Credit	-	-	-	8.00	IVR A3 Withdrawn
Short Term Bank Facilities Credit Exposure Limit	-	-	-	0.20	IVR A3 Withdrawn
Long Term/Short Term Bank Facilities- Proposed	-	-	-	7.00	IVR BBB-; Positive, A3 Withdrawn

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details: Not Applicable.

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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 <https://www.infomerics.com>.