Press Release

Turtle Limited
October 15, 2024

Ratings

Facilities	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	130.00	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	-	Assigned	Simple
Short-Term Bank Facilities	8.00	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	**138.00 (INR One hundred thirty-eight crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Turtle Limited (TL) is driven by 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 also consider TL's moderate capital structure and improvement in business performance in 5MFY25 [FY refers to the period from April 1 to March 31]. However, these rating strengths are constrained by TL's exposure to high competition in branded men's apparel segment, dip in business performance in FY24 leading to moderation in debt protection metrics, inherent risk of design obsolescence and consequent increase in slow moving inventory coupled with high working capital intensity of its operations. The stable outlook reflects expected satisfactory business performance of the company in the near term marked by the probable improvement in average sales realisation supported by extensive industry experience of the promoters and its established brand name.

Key Rating Sensitivities:

Upward factors

- Growth in scale of business with sharp improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis

- Improvement in the capital structure with improvement in TOL/ATNW to below 2.5x and ISCR to above 2.5x
- Effective working capital management leading to improvement in operating cycle and consequent improvement in liquidity

Downward Factors

- Moderation in operating income and/or profitability impacting the debt protection metrics on a sustained basis
- Withdrawal of subordinated unsecured loan of Rs.27.98 crore and/or any unplanned capex and/or substantial increase in working capital leading to impairment in capital structure with adjusted overall gearing ratio moderated to over 2.5x
- Moderation in the operating cycle to over 200 days leading to stretch in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Long track record under experienced promoters**

TL commenced operation in 1993 and accordingly has a long track record of operation of over three decades. The promoters, Mr. Sanjay Jhunjhunwala and Mr. Amit Ladsaria (nephew of Mr. Jhunjhunwala) are well experienced in the textile industry. Currently, Mr. Jhunjhunwala (Director) is at the helm of affairs of the company and Mr. Ladsaria looks after the product supply chain of the company. The board is well supported by a team of experienced professionals.

- **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 three 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. As on March 31,2024, it operates with its Exclusive Brand Outlets (EBO) comprising 01 owned stores (company operated), 161 own stores (franchise operated) (increased from 153 in

FY23), 1,308 large format stores (reduced from 1,463 from FY23) and 1,350 Multi Brand Outlets (MBO) (increased from 1,250 in FY23) spread across Pan India with major presence in West Bengal, Orissa, Bihar, Assam, Jharkhand And Uttar Pradesh.

- **Moderate capital structure**

The capital structure of the company continues to remain moderate marked by satisfactory net worth base and moderate leverage ratios due to its working capital-intensive nature of operations. The net worth base of the company stood at Rs.84.40 crore as on March 31, 2024, after considering subordinate unsecured loan amounting to Rs.27.98 crore as quasi equity. Long term debt equity and overall gearing (including quasi equity) stood moderate at 0.40x and 1.90x respectively as on March 31,2024. Furthermore, overall indebtedness of the company marked by TOL/TNW (including quasi equity) though improved, continues to remain moderate at 3.67x as on March 31, 2024, against 5.85x of March 31, 2023.

Key Rating Weaknesses:

- **Moderation in business performance in FY24 though improvement witnessed in 5MFY25**

The business performance of the company remained erratic over the years. The company has witnessed sharp increase in its revenue in FY23 aided by higher penetration of the company through large format stores and MBOs. However, the company has witnessed moderation in its topline in FY24 mainly due to reduction in average sales realization attributable to heavy discounts offered to customers under the policy of a large format store coupled with dip in sales volume on account of dissociation of its products from many large format stores to reduce the impact of discount schemes. The topline of the company in FY24 has dipped by ~8.50% to Rs.369.69 crore as compared to Rs.404.19 crore in FY23. Affected by low average sales realisation, the absolute EBITDA has also moderated to Rs.33.73 crore in FY24 as compared to Rs.49.18 crore in FY23. The reduction in average sales realization by offering heavy discounts to customers coupled with lower recovery of fixed overhead costs has impacted the bottom line. Thus, the EBITDA margin in FY24 has moderated to 9.13% against 12.17% of FY23. Consecutively, owing to lower EBITDA along with increase in finance cost driven by higher working capital utilisation has impacted the PAT margin and the same stood at 0.40% in FY24 as compared to 2.50% in FY23. Aided by reduced profitability, gross cash accruals of the company has also witnessed moderation in FY24. However, the business performance of the company has improved in the present

fiscal year (FY25) on the back of cost optimisation and change in sales planning. Till August 2024, TL has managed to generate revenue of ~Rs.148 crore. With the festive season approaching, Infomerics rating believe that TL will be able to achieve its projected FY25 revenue.

- **Moderation in debt protection metrics**

Affected by the moderation in absolute EBITDA and increase in finance cost in FY24, interest coverage ratio though remained satisfactory has moderated to 1.27x as compared to 2.80x in FY23. Further, driven by weak business performance along with the elevated debt level in FY24 in the form of working capital borrowings, as compared to last fiscal year, Total Debt/EBITDA and Total Debt/GCA have moderated and remains high at 4.75x and 27.91 years respectively as on March 31, 2024.However, Infomerics rating expects that the debt protection metrics of the company will improve in the near term underpinned by expected improvement in the business performance of the company.

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

Fashion apparel segment is prone to risk of design obsolesce pertaining to fast changing consumer preferences and continuous evolvement of new designs which may translated 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.

- **Working capital intensive nature of operation**

The business of the company remained working capital intensive in nature over the years marked by its elongated operating cycle. The operating cycle of the company remained high attributable to large inventory holding requirements for raw materials/finished stocks in various stores coupled with high average collection period. The average inventory period elongated from 144 days in FY23 to 166 days in FY24. Further, to support the sales growth in highly competitive market the company has to extend higher credit terms to its customers. The average collection period increased from 117 days in FY23 to 175 days in FY24. Hence,

the operating cycle has elongated to 190 days in FY24, from 136 days of FY23. Moreover, led by high operating cycle, the average working capital utilisation remains above 90% for the past twelve months ended August 2024.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Rating Methodology for Trading companies

Criteria of assigning rating outlook

Policy on Default Recognition and Post-Default Curing Period

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Complexity

Liquidity: Adequate

The liquidity profile of TL is expected to remain adequate marked by its expected satisfactory cash accrual to serve its debt repayment obligations ranging between ~Rs.8.50 crore to Rs.7.50 crore during FY25-FY27. However, the average bank limit utilisation which remained moderate at more than ~90% in the last 12 months ended August 2024 is indicating low liquidity buffer. Any further stretch in operating cycle or any unplanned capex might impact the liquidity to some extent. However, satisfactory current ratio of 1.36x as on March 31,2024 and continuous support from the resourceful promoters in the form of unsecured loan provide some comfort.

About the Company

Turtle Limited (TL) was initially incorporated as a private limited company on August 19, 1992 by Kolkata based Mr. Sanjay Jhunjhunwala and Mr. Amit Ladsaria (nephew of Mr. Jhunjhunwala). Later, in 2000 the constitution of the company was converted into a public limited company. TL is engaged is designing, manufacturing and trading of ready-made menswear (men's formal and casual shirts, khadi shirts, trousers, jackets, other winterwears, readymade suits etc.) under its brand "Turtle". Over the years the brand 'Turtle' established its strong presence in the eastern part of the country in mid-premium segment. The company has two manufacturing facilities for fabric cutting, stitching, sewing, ironing and packaging and two warehouses for the storage of raw fabric and finished goods in Howrah, West

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Bengal. Apart from the production from its own manufacturing unit, TL majorly procures its products through job work basis.

Financials of Turtle Limited: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	404.19	369.69
EBITDA	49.18	33.73
PAT	10.10	1.49
Total Debt	129.57	160.17
Tangible Net worth (Book)	56.25	56.42
Tangible Net worth (Adjusted)	56.25	84.40
EBITDA Margin (%)	12.17	9.13
PAT Margin (%)	2.50	0.40
Overall Gearing Ratio (x) (Adjusted)	2.30	1.90
Interest Coverage	2.80	1.27

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: CRISIL ratings has moved the ratings to issuer not cooperating category vide press release dated October 03,2024 due to non-cooperation by the company.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					(Nov 30, 2023)	(Sep 08, 2022)	(Apr 14, 2022)	(Nov 03, 2021)
1.	Cash Credit	LT	125.00	IVR BBB-/ Stable	IVR BBB-Positive & Withdrawn	IVR BBB-Positive	IVR BBB-Stable	IVR BBB, CWDI*
2.	WCTL	LT	5.00	IVR BBB-/ Stable	IVR BBB-Positive & Withdrawn	IVR BBB-Positive	IVR BBB-Stable	-
3.	Letter of Credit	ST	8.00	IVR A3	IVR A3 & Withdrawn	IVR A3	IVR A3	IVR A3, CWDI

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Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					(Nov 30, 2023)	(Sep 08, 2022)	(Apr 14, 2022)	(Nov 03, 2021)
4.	Credit Exposure	ST	-	-	IVR A3 & Withdrawn	IVR A3	IVR A3	IVR A3, CWDI
5.	Proposed	LT/ST	-	-	IVR BBB-Positive, A3 withdrawn	IVR BBB-Positive, A3	IVR BBB-Stable, A3	-

CWDI- Credit Watch with developing implication

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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: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits –Cash Credit	-	-	-	125.00	IVR BBB-/ Stable
Long Term Fund Based Limits –WCTL	-	-	Sep 2027	5.00	IVR BBB-/ Stable
Short Term Non-Fund Based Limits –Letter of credit	-	-	-	8.00	IVR A3

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Turtle-oct24.pdf

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

Annexure 4: List of companies considered for consolidated/combined 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