

January 12, 2017

Tangerine Design Private Limited

Instrument*	Rated Amount (in crore)	Rating Action
Short Term Fund Based Limits	58.50 (revised from 30.50)	[ICRA]A3+ (SO) reaffirmed
Unallocated Limits	0.00 (revised from 0.50)	-
Total	58.50 (revised from 31.00)	

*Instrument Details are provided in Annexure-1

Rating Action

ICRA has reaffirmed the short term rating of [ICRA]A3+ (SO) (pronounced ICRA A three plus Structured Obligation) for the bank facilities of Tangerine Design Private Limited ('TDPL' or 'the company'). As there is no amount currently rated on the long term rating scale, ICRA's earlier assigned long term rating of [ICRA]BBB (SO) (pronounced ICRA triple B structured obligation) no longer exists. The total rated amount has been enhanced from Rs. 31.00 Crore¹ to Rs. 58.50 Crore.

Detailed Rationale

ICRA's rating is based on the unconditional, irrevocable and continuing corporate guarantee extended to the bank lines of TDPL by Matrix Clothing Private Limited² ('MCPL' or 'The Guarantor') – holding 100% of equity in TDPL, for the timely payment of the principal along with the accrued interest on the due payment dates. The rating reaffirmation for TDPL's bank facilities factors in the reaffirmation of [ICRA]BBB (Stable)/[ICRA]A3+ ratings for the bank facilities of MCPL.

With TDPL operating in the manufacturing and sale of leather accessories such as bags, belts, footwear and wallets, MCPL and TDPL share strong operational synergies, in terms of access to established customer base and ability to expand its product offerings to customers. TDPL has reported healthy scale-up in its revenues over the past two fiscals, growing at a CAGR of 157%, supported by an expanding customer base and product portfolio. The improved scale of operations has also supported improvement in credit metrics of the company, with improving profit margins and steadily strengthening coverage indicators. The improved operating performance of TDPL has also supported the financial risk profile of the consolidated entity, and has been factored in while reaffirming the ratings of the guarantor, MCPL. TDPL also remains exposed to many of the same risks as its parent company like geographic concentration, forex vulnerability and any adverse change in duty structure or trade relations between key market participants by virtue of having an export-driven revenue profile with majority of revenues concentrated in the North American and European markets.

Key rating drivers (for rating of MCPL)

For more details, refer to rationale of Matrix Clothing Private Limited on www.icra.in

Detailed description of key rating drivers highlighted above:

For more details, refer to rationale of Matrix Clothing Private Limited on www.icra.in

Analytical approach

ICRA's rating is based on the corporate guarantee extended by Matrix Clothing Private Limited for the entire bank facilities of TDPL. In arriving at the ratings for Matrix Clothing Private Limited, ICRA has taken a consolidated view of MCPL along with its wholly owned subsidiaries – TDPL and IBG, Jordan – since MCPL has guaranteed the entire debt of both the entities, and also have strong operational synergies with the subsidiaries.

Links to applicable Criteria

- Corporate Credit Rating –A Note on Methodology
- Approach for rating debt instruments backed by third-party explicit support

¹ 100 lakh = 1 crore = 10 million

² Rated [ICRA]BBB (Stable)/[ICRA]A3+

About the Company:

Tangerine Design Private Limited is a 100% subsidiary of Matrix Clothing Private Limited. The company was incorporated in June 2013 to manufacture and export leather accessories like belts, bag and footwear. The revenue model of TDPL is based on catering to the outsourcing requirements of leading international brands in USA, Europe, South Africa and Australia like Accessorize, Chico's, Debenham's, Armani, Ann Taylor, Next, Polo Ralph Lauren, Lucky Brand and Esprit. The manufacturing facilities of the company are located in Gurgaon. The facilities, which are completely mechanized, have acquired fully compliant status under various European and American requirements. The company uses both traditional techniques like hand stitching, hand padding and hand moulding along with sophisticated machinery for manufacturing its fashion products.

About the Guarantor:

Matrix Clothing Private Limited (MCPL), incorporated in 1977, is engaged in the manufacture of apparels for international markets. MCPL's current product portfolio consists of knitwear and woven apparel and the company has dedicated divisions for each of the following product lines - men's knitwear, men's woven wear and women's apparel. While the men's division includes golf-wear, performance wear, rugbies, sweats, hoodies, jackets and boxer shorts, the women's division has embroidered, sequins, prints, casuals and lounge-wear. The company manufactures all its products at its facilities located in Gurgaon.

In addition to TDPL, MCPL also recently acquired an entity IBG, Jordan in August 2016, which was rechristened as IJC (Indo Jordan Clothing). The acquired entity is primarily engaged in the manufacture of polyester-based bottom-wear mainly for women. MCPL is also providing corporate guarantee for the working capital debt on the books of IJC which has been availed from Citibank Jordan.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating (2016)			Chronology of Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crores)	Date & Rating	Date & Rating in FY2016	Date & Rating in FY2015	Date & Rating in FY2013
				January 2017	January 2016	-	-
1	Short Term Fund Based Facilities	ST	58.50	[ICRA]A3+ (SO)	[ICRA]A3+ (SO)	-	-
2	Unallocated	LT/ST	0.00	-	[ICRA]BBB (SO) (Stable)/ A3+ (SO)	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Short Term Fund Based Limits	-	Base Rate Linked Rate	-	58.50	[[ICRA]A3+ (SO)

Name and Contact Details of the Rating Analyst(s):

Subrata Ray
+91 22 2433 1086
subrata@icraindia.com

Shamsher Dewan
+91 124 4545 328
shamsherd@icraindia.com

Sruthi Thomas
+91 124 4545 822
sruthi.thomas@icraindia.com

Name and Contact Details of Relationship Contacts:

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

About ICRA Limited:

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500