

Press Release

TRIDENT ENTERPRISES

November 30, 2017

Rating Downgraded



Total Bank Facilities Rated*	Rs. 5.16 Cr.
Long Term Rating	SMERA BB+ / Outlook: Negative
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 5.16 crore bank facilities of TRIDENT ENTERPRISES. The outlook is '**Negative**'.

Established in 1996, Trident Enterprises (TE) is a Nagaland-based Class I civil construction firm established by Mr. P. Imty Ao. The firm caters to the Nagaland government and undertakes contracts for construction of roads, buildings, colleges, excavation of trenches and laying of Optimal Communication System (OFC). The operations are tender based.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

TE has long track record of operations in the civil construction business. The day-to-day business is led by the Proprietor, Mr. P. Imty Ao and his team.

- **Moderate order book position**

The firm has current order book of ~ Rs 50.00 crore from Northern Frontier Railways, PWD- Nagaland, Railtel Corporation of India, National Project Construction Corporation Ltd (NPCC) for construction of railway stations, bridges and engineering colleges. The projects are expected to be completed by mid FY2017-18.

- **Above average financial risk profile**

The financial risk profile is marked by low gearing, comfortable debt protection metrics and modest net worth base. The gearing stood at 0.10 times as on 31 March, 2017 as against 0.17 times in the previous year. The interest coverage ratio stood at 6.14 times in FY2017 compared to 5.83 times in FY2016. The debt profile of TE includes unsecured loans of Rs 0.19 crore. The net worth stood at Rs.20.78 crore in FY2017 and Rs.19.84 crore in FY2016. The NCA/TD stood comfortable at 1.21 times in FY2017 compared to 0.56 times in FY2016.

Weaknesses

- **Decline in revenue**

The revenue declined to Rs.26.08 crore in FY2017, Rs.23.34 crore in FY2016, and Rs.63.07 crore in FY2015 on account of reduced orders. The firm registered revenue of around Rs.11.47 crore till September 2017.

- **Working capital intensive operations**

The working capital management is marked by GCA days of 218 in FY2017 and 237 days in FY2016 compared to 89 days in FY2015. Such high GCA days are mainly on account of high debtor days of 181 and 190 in FY2017 and FY2016 respectively. This is mainly on account of late realization of payments from Customers(Nagaland state governments and government bodies).

- **Geographical concentration risk**

The firm is exposed to geographic concentration risk since it undertakes projects only in Nagaland.

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone financial and business risk profile of Trident Enterprises.

Outlook: Negative

SMERA believes that the outlook of TE will remain Negative over the medium term owing to continuous fall in revenue and elongated working capital cycle as a result of stretched debtors. The rating may be downgraded in case of further decline in revenue and rise in working capital cycle. Conversely, the outlook may be revised to 'Stable' in case the entity registers sustained growth in revenues while improving margins and working capital management.

About the Rated Entity - Key Financials

For FY2017, Trident Enterprises (TE) reported Profit after Tax (PAT) of Rs.1.19 crore on total operating income of Rs.26.08 crore compared with PAT of Rs1.21 crore on total operating income of Rs.23.34 crore in FY2016.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Sep-2017	Cash Credit	Long Term	INR 2	SMERA BBB-
	Bank Guarantee	Short Term	INR 3	SMERA A3
	Proposed Cash Credit	Long Term	INR 0.16	SMERA BBB-
16-May-2016	Cash Credit	Long Term	INR 2	SMERA BBB- / Stable
	Term Loan	Long Term	INR 0.16	SMERA BB+ / Stable
	Bank Guarantee	Short Term	INR 3	SMERA A3
	Proposed Cash Credit	Long Term	INR 0.16	SMERA BBB- / Stable
09-Apr-2015	Cash Credit	Long Term	INR 2	SMERA BB+ / Stable
	Term Loan	Long Term	INR 0.16	SMERA BB+ / Stable
	Bank Guarantee	Short Term	INR 3	SMERA A4+

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB+ / Negative
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4+
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.16	SMERA BB+ / Negative

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ABOUT SMERA

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