

Trela Overseas Private Limited: Assigned

Name of the Instruments	Amount (Rs. Crore)	Ratings/Outlook
Term Loan	7.44	SMERA BB-/Stable (Assigned)
Packing Credit*	4.50	SMERA A4+(Assigned)
Proposed Long Term	0.56	SMERA BB-/Stable (Assigned)

**FDBP/FUDBP sublimit of Rs. 4.50 crore.*

Cash credit (Hyp.) Sub Limit of Rs.1.50 crore.

Total Aggregate Exposure including Packing Credit, FDBP/FUDBP, & Cash Credit not to exceed of Rs. 4.50 crore at any time

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned bank facilities of Trela Overseas Private Limited (TOPL).

The ratings are supported by the company's experienced management and improved financial risk profile. However, the aforementioned strengths are partially offset by the intense competition in the footwear industry, working capital intensive operations and small scale of business.

TOPL is engaged in the manufacture and export of footwear. The company benefits from its experienced management. Mr. Harsh Kumar Sachdeva, Mr. Kshitiz Sachdeva, and Mr. Nitin Sachdeva, Directors possess over two decades of experience in the footwear industry. Further, the management is ably supported by an experienced second line of management.

The company's financial risk profile is reflected by gearing (debt/equity) of 0.80 times in FY2015-16 (provisional) as compared to 0.63 times a year earlier. The interest coverage ratio has been moderate at 1.86 times in FY2015-16 (Provisional) as against 1.75 times in FY2014-15 and DSCR of 1.86 times in FY2015-16 (Provisional) as compared to 1.77 times a year earlier. The current ratio of the company is low and stands at 0.95 times in FY2015-16 (Provisional) as against 1.00 times in FY2014-15. The operating margin of TOPL stands at 6.15 percent in FY2015-16 (Provisional) as against 7.77 percent in FY2014-15. The net profit margin (PAT margin) is low at 0.91 percent in FY2015-16 (Provisional) as compared to 0.35 percent in FY2014-15.

However, TOPL operates in a highly competitive footwear industry dominated by a large number of unorganised players.

Outlook-Stable

SMERA believes that TOPL will maintain a stable outlook over the medium term on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if TOPL reports higher than expected revenues and profitability or prudent working capital management. Conversely, the outlook may be revised to 'Negative', in case of decline in revenue and profitability or significant deterioration in its capital structure on account of larger-than-expected working capital requirements. Any large, debt-funded capex undertaken by the company, adversely impacting its financial risk profile may also entail a 'Negative' outlook.

Rating Sensitivity Factors

- Sustained improvement in scale of operations
- Maintaining profitability margins
- Efficient working capital management

Criteria Applied to arrive at the ratings

- Manufacturing Entities

About the Company

The Uttar Pradesh-based, TOPL was incorporated in 2004 by Mr. Harsh Kumar Sachdeva to manufacture and export footwear. The company sells its products under the Trela and Alert brands. The day-to-day operations are managed by Mr. Kshitiz Sachdeva and Mr. Nitin Kumar Sachdeva who possess experience of around 10 years in the industry.

The company reported profit after tax (PAT) of Rs.0.28 crore on operating income of Rs.30.75 crore in FY2015-16 (Provisional) as compared to PAT of 0.04 crore on operating income of 12.89 crore a year earlier. The net worth stood at Rs.8.71 crore (Provisional) for FY2015-16 includes quasi equity of Rs.3.75 crore as on March 31, 2016 provisional).

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ABOUT SMERA

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