

January 17, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	2.85	SMERA B+/Stable (Assigned)
EPC/ PCFC	8.00	SMERA A4 (Assigned)
EPC/ PCFC	5.00	SMERA A4 (Assigned)
Ad-hoc packing credit limit	1.00	SMERA A4 (Assigned)
Letter of Credit	3.00	SMERA A4 (Assigned)
Bank Guarantee	0.25	SMERA A4 (Assigned)
Proposed enhancement of EPC	1.90	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as SMERA Single B Plus) and a short-term rating of '**SMERA A4**' (read as SMERA A Four) to the above-mentioned bank facilities of Trend Setters International (TSI). The outlook is '**Stable**'. The ratings are constrained by the firm's moderate debt protection metrics and net profit margin. The ratings are further constrained by the firm's exposure to foreign exchange fluctuation risk and intense competition prevalent in the readymade garments industry. However, the rating supported by the firm's experienced management and reputed clientele.

TSI, established in 1986, is a Manesar-based partnership firm engaged in export of readymade garments for women and children. TSI has moderate debt protection metrics as reflected in leverage of 1.99 times as on March 31, 2013 and interest coverage ratio of 1.76 times in FY2012-13 (refers to financial year, April 01 to March 31). The firm's net profit margin is moderate at 1.63 per cent in FY2012-13. TSI is exposed to foreign exchange fluctuation risk on the un-hedged portion of its forex exposure. The firm faces intense competition from several large and small-sized players in the readymade garments industry.

TSI benefits from its experienced management. Mr. Sudhir Sekhri and Mrs. Pinky Sekhri, partners of TSI, have around two decades of experience in the firm's line of business. TSI has a geographically diversified clientele. The firm caters to several reputed customers including Mango Garments (Spain), Comercializadora (Mexico), Suburbia S. De R.L. De C.V. (Mexico), Eurofiel Confeccion SA (Spain), Vetir SA (France) and Wal-Mart (Brazil).

Outlook: Stable

SMERA believes TSI will maintain a moderate business risk profile in the medium term on the back of its experienced management and established relationships with customers. The outlook may be revised to 'Positive' in case the firm achieves higher-than-expected increase in revenues and profitability with improvement in working capital management and capital structure. Conversely, the outlook may be revised to 'Negative' in case of further stretch in the firm's working capital management or in case of deterioration in the firm's capital structure.

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About the firm

TSI, established in 1986, is a Manesar-based partnership firm established by Mr. Sudhir Sekhri and Mrs. Pinky Sekhri. TSI is engaged in export of readymade garments for women and children.

For FY2012–13, TSI reported PAT of Rs.0.95 crore on operating income of Rs.54.15 crore, as compared with PAT of Rs.0.50 crore on operating income of Rs.51.10 crore for FY 2011–12. The firm's net worth stood at Rs.11.33 crore as on March 31, 2013, as compared with Rs.11.22 crore a year earlier.

Media/ Business Development	Analytical Contacts	Rating Desk
Mr. Sanjay Kher, Head, Sales (Corporate Ratings) Tel :+91-22-67141193 Cell : +91 9819136541 Email: sanjay.kher@smera.in Web: www.smera.in	Umesh Nihalani Head, Corporate Ratings Tel: +91-22-6714 1106 Email: umesh.nihalani@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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