

November 11, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan - I	0.28	SMERA BB/Stable (Upgraded from SMERA B+/Stable)
Term Loan - II	1.88	SMERA BB/Stable (Upgraded from SMERA B+/Stable)
EPC/PCFC	3.00	SMERA A4+ (Upgraded from SMERA A4)
EPC/PCFC	7.00	SMERA A4+ (Upgraded from SMERA A4)
Bill Purchase*	4.00	SMERA A4+ (Upgraded from SMERA A4)
Bill Purchase*	1.00	SMERA A4+ (Upgraded from SMERA A4)
Bank Guarantee^	0.25	SMERA A4+ (Upgraded from SMERA A4)
Inland Letter of Credit^	3.00	SMERA A4+ (Upgraded from SMERA A4)
Export Packing Credit (proposed)	1.59	SMERA A4+ (Upgraded from SMERA A4)

* Export Packing Credit and Bills Purchase facilities are fully interchangeable

[^]Inland Letter of Credit and Bank Guarantee facilities are fully interchangeable

SMERA has upgraded the long-term bank loan rating of Trend Setters International (TSI) to '**SMERA BB** (read as **SMERA double B**) from 'SMERA B+' (read as SMERA single B plus). SMERA has also upgraded the short-term bank loan rating of TSI to '**SMERA A4+** (read as **SMERA A four plus**) from 'SMERA A4' (read as SMERA A four). The outlook is '**Stable**'. The upgrade reflects healthy growth in revenues and net profit margin reported by the firm in FY2013-14 (refers to financial year, April 01 to March 31). The upgrade also reflects improvement in the financial risk profile of the firm. The ratings are supported by the firm's long track record of operations, experienced management and established relations with customers. However, the ratings remain constrained by the firm's moderate-scale operations amidst intense competition in the textile industry. The ratings are also constrained by the susceptibility of the firm's profit margins to fluctuations in foreign exchange rates.

Update

TSI registered healthy growth in revenue and net profit margin during FY2013-14. The firm's revenue increased from Rs.58.34 crore in FY2012-13 to Rs.78.10 crore in FY2013-14. TSI's net profit margin improved from 1.63 per cent in FY2012-13 to 3.90 per cent in FY2013-14. The firm's interest coverage ratio increased from 1.76 times in FY2012-13 to 2.85 times in FY2013-14. TSI's debt service coverage ratio stood at 2.87 times in FY2013-14. SMERA believes TSI will register healthy growth in revenues and profitability over the medium term on the back of its strong order book position (pending orders of Rs.55.00 crore, likely to be executed by January 2015) and

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established relations with customers. The firm caters to several reputed customers such as Punto F.A. (Spain), Comercializadora (Mexico), Suburbia S.De RL De CV (Mexico), Eurofiel Confeccion SA (Spain), Vetir SA (France), Wal-Mart (Brazil) and ITX Trading (ZARA). 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.

Notwithstanding healthy growth in revenues, TSI has moderate-scale operations with revenue of Rs.78.10 crore in FY2013–14. The firm faces intense competition from several players in the textile industry. TSI's profit margins are exposed to foreign exchange fluctuation risk inherent in the unhedged portion of export sales.

Outlook: Stable

Smera believes TSI will maintain a moderate business risk profile over the medium term. The firm will continue to benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the firm achieves higher-than-expected growth in revenues and profitability with substantial improvement in working capital management and capital structure. Conversely, the outlook may be revised to 'Negative' in case of stretch in the firm's working capital management, or in case of deterioration in the firm's capital structure.

About the firm

TSI, established in 1986, is a Gurgaon-based partnership firm promoted by Mr. Sudhir Sekhri and Mrs. Pinky Sekhri. TSI is engaged in manufacturing and export of readymade woven garments for women and children. The firm has recently started manufacturing of knitted garments.

For FY2013–14, TSI reported profit after tax (PAT) of Rs.3.05 crore on operating income of Rs.78.10 crore, as compared with PAT of Rs.0.95 crore on operating income of Rs.58.34 crore in FY2012–13. The firm's net worth stood at Rs.11.37 crore as on March 31, 2014, as compared with Rs.11.33 crore a year earlier.

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