



SMERA RATINGS LIMITED

Trend Setters International (TSI)

Rating
RationaleDecember 03, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.84	SMERA BBB-/Stable (Upgraded from SMERA BB/Stable)
Export Packing Credit/Packing Credit in Foreign Currency	3.00	SMERA A3 (Upgraded from SMERA A4+)
Export Packing Credit/Packing Credit in Foreign Currency	7.00	SMERA A3 (Upgraded from SMERA A4+)
Bill Purchase*	4.00	SMERA A3 (Upgraded from SMERA A4+)
Bill Purchase*	1.00	SMERA A3 (Upgraded from SMERA A4+)
Bank Guarantee^	0.25	SMERA A3 (Upgraded from SMERA A4+)
Inland Letter of Credit^	3.00	SMERA A3 (Upgraded from SMERA A4+)
Export Packing Credit (Proposed)	1.91	SMERA A3 (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 rating of Trend Setters International (TSI) to '**SMERA BBB-**' (read as **SMERA triple B minus**) from 'SMERA BB' (read as SMERA double B) and the short-term rating to '**SMERA A3**' (read as **SMERA A three**) from 'SMERA A4+' (read as SMERA A four plus). The outlook is '**Stable**'.

The upgrade reflects healthy growth in revenues, net profit margin and improvement in the financial risk profile backed by improvement in gearing to 0.42 times in FY2014-15 from 1.18 times in FY2013-14. The ratings continue to be supported by the firm's long track record of operations, experienced management and established relations with customers. However, the ratings remain constrained by the moderate scale of operations, intense competition in the textile industry and susceptibility of the firm's profit margins to fluctuations in forex rates.

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Update

TSI registered healthy growth in revenue and net profit margin during FY2014–15. While revenue increased from Rs.78.10 crore in FY2013–14 to Rs.98.56 crore in FY2014–15, the net profit margin improved from 3.90 per cent in FY2013–14 to 4.17 per cent in FY2014–15. The interest coverage ratio decreased from 2.87 times in FY2013–14 to 2.61 times in FY2014–15. Also, the debt service coverage ratio stood at 2.25 times in FY2014–15. SMERA believes TSI will register healthy growth in revenues and profitability over the medium term owing to its strong order book position (pending orders of Rs.33.40 crore, likely to be executed by March 2016) and established relations with customers.

The firm caters to several reputed customers such as Punto F.A. (Spain), Comercializadora (Mexico) Americana, S.De R.L. De CV (Mexico), Eurofiel Confeccion SA (Spain), Vetir SA (France), Wal-Mart (Brazil) and ITX Trading SA. TSI benefits from its experienced management. Mr. Sudhir Sekhri and Mrs. Pinky Sekhri, Partners, have around two decades of experience in the firm's line of business. Notwithstanding healthy growth in revenues, TSI has moderate-scale of operations with revenue of Rs.98.56 crore in FY2014–15. The firm faces intense competition from several players in the textile industry and the profit margins are exposed to forex 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' with stretch in the firm's working capital management or deterioration in the capital structure.

Rating Sensitivity Factors

- Scaling up of operations while maintaining stable profit margins
- Working Capital management

About the Firm

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

For FY2014–15, TSI reported profit after tax (PAT) of Rs.4.11 crore on operating income of Rs.98.56 crore, as compared with PAT of Rs.3.05 crore on operating income of Rs.78.10 crore in FY2013–14. The firm's net worth stood at Rs.13.88 crore as on March 31, 2015 as compared with Rs.11.37 crore a year earlier. TSI reported operating income of Rs.31.69 crore till September 30, 2015.

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