

Press Release

TREND SETTERS INTERNATIONAL

February 23, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 22.00 Cr.
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed short term rating of '**SMERA A3** (read as SMERA A three) on the Rs. 22.00 crore bank facilities of TREND SETTERS INTERNATIONAL. The outlook is '**Stable**'.

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

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

TSI is engaged in manufacturing and exporting of readymade woven garments for women and children since 1986. The promoters possess extensive experience in the industry and the firm has around 30 years of long track of operations.

- **Healthy Financial Risk Profile**

The firm has healthy financial risk profile marked by healthy networth, comfortable gearing and healthy debt protection measures. The networth stood at Rs 18.64 crore as on 31 March, 2017 as compared to Rs. 15.52 crore as on 31 March, 2016. The debt equity stood at 1.05 in FY2017 times as compared to 0.87 in the previous year. The total debt of Rs.19.64 crore consists of long term debt of Rs. 0.38 Crore and short term debt of Rs. 19.26 crore. Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.34 times while Debt Service Coverage (DSCR) stood at 3.81 times as on March 31, 2017. The Interest Coverage Ratio stood comfortable at 3.81 times in FY2017.

- **Reputed Clients**

TSI derives support from its reputed customers like Garments & Eurofiel Confeccion SA leading brand of Spain, Comercializadora, Mexico Americana, Eurofiel Confeccion SA a leading brand of Spain, Vetir SA a leading brand of France and Wal-Mart Brazil SasKiabi a leading international brand of Europe, Forever 21, Warehouse Fashion Limited etc. These are all the leading international brands located all across world. TSI added one more new client SuperDry which is a leading brand of UK.

- **Geographical Diversified Business**

TSI engaged into exporting of women garments and kids garments in the countries like Mexico, Switzerland, Spain, France, Panama etc. Therefore they have well diversified client base.

Weaknesses

- **Foreign exchange fluctuations risk**

The firm exports its entire product to International market such as Mexico, Switzerland, Spain, etc. and does

all the transactions in foreign currencies. This leads to foreign exchange risk. However, it may be noted that the firm does foreign exchange hedging.

• Competition from small and established players in the industry

TSI operate in highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Trend Setters International (TSI) to arrive at the rating.

Outlook: Stable

SMERA believes that the firm will maintain its stable business risk profile on the back of the management's extensive experience in the textile industry and its established relationships with customers. The outlook may be revised to positive in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to negative in case significant decline in revenues and accruals or in case of elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	91.42	93.50	98.56
EBITDA	Rs. Cr.	6.62	9.23	9.72
PAT	Rs. Cr.	5.21	3.78	4.11
EBITDA Margin (%)	(%)	7.24	9.87	9.87
PAT Margin (%)	(%)	5.70	4.04	4.17
ROCE (%)	(%)	22.64	27.45	61.81
Total Debt/Tangible Net Worth	Times	1.05	0.87	0.83
PBDIT/Interest	Times	3.81	2.51	2.61
Total Debt/PBDIT	Times	2.14	1.46	1.18
Gross Current Assets (Days)	Days	169	134	118

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Nov-2016	Letter of Credit	Short Term	INR 3	SMERA A3

	Packing Credit	Short Term	INR 3	SMERA A3
	Packing Credit	Short Term	INR 7	SMERA A3
	Bills Discounting	Short Term	INR 4	SMERA A3
	Bills Discounting	Short Term	INR 1	SMERA A3
	Bank Guarantee	Short Term	INR 0.25	SMERA A3
	Proposed Packing Credit	Short Term	INR 1.91	SMERA A3
	Proposed Long Term Loan	Long Term	INR 1.84	SMERA BBB- / Stable
03-Dec-2015	Term Loan	Long Term	INR 1.84	SMERA BBB- / Stable
	Packing Credit	Short Term	INR 3	SMERA A3
	Packing Credit	Short Term	INR 7	SMERA A3
	Bills Discounting	Short Term	INR 4	SMERA A3
	Bills Discounting	Short Term	INR 1	SMERA A3
	Bank Guarantee	Short Term	INR 0.25	SMERA A3
	Letter of Credit	Short Term	INR 3	SMERA A3
	Proposed Packing Credit	Short Term	INR 1.91	SMERA A3
11-Nov-2014	Term Loan	Long Term	INR 0.28	SMERA BB / Stable
	Term Loan	Long Term	INR 1.88	SMERA BB / Stable
	Packing Credit	Short term	INR 3	SMERA A4+
	Packing Credit	Short term	INR 7	SMERA A4+
	Bills Discounting	Short term	INR 4	SMERA A4+
	Bills Discounting	Short term	INR 1	SMERA A4+
	Bank Guarantee	Short term	INR 0.25	SMERA A4+
	Letter of Credit	Short term	INR 3	SMERA A4+
	Proposed Packing Credit	Short term	INR 1.59	SMERA A4+
17-Jan-2014	Term Loan	Long Term	INR 2.85	SMERA B+ / Stable
	Packing Credit	Short Term	INR 8	SMERA A4
	Packing Credit	Short Term	INR 5	SMERA A4
	Ad-hoc limits (Fund Based)	Short Term	INR 1	SMERA A4
	Letter of Credit	Short Term	INR 3	SMERA A4
	Bank Guarantee	Short Term	INR 0.25	SMERA A4

	Proposed Packing Credit	Short Term	INR 1.9	SMERA A4
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*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	11.75	SMERA A3
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A3
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A3
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A3

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ABOUT SMERA

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