

Press Release

Trend Setters International

November 21, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 30.00 Cr. (Enhanced from Rs. 25.50 Cr.)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 30.00 crore bank facilities of Trend Setters International (TSI).

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. The firm exports to countries such as Mexico, Brazil, Spain and Italy among others. The firm has its manufacturing unit located at Manesar (Haryana) with an installed capacity of manufacturing 3,00,000 pieces of readymade woven garments per month.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of TSI to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele base**

TSI was established in 1986, and is currently managed by Mr. Sudhir Sekhri. The firm has established track record of more than three decades in textile industry. The firm is engaged in manufacturing and exporting of readymade woven garments. The promoters possess vast experience of over three decades in this industry. The firm has a reputed clientele base which includes Wal-Mart (Mexico and Brazil), Suburbia (Liverpool), Zara, Mango, Springfield and Superdry among others.

Acuité believes that TSI will benefit from experienced management which will help the firm to maintain long standing relations with its customer and suppliers.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by tangible net worth of Rs.17.62 crore as on 31 March, 2018 as well as in the previous year. The gearing (debt-equity) stood moderate at 1.22 times as on 31 March, 2018 as against 1.17 times as on 31 March, 2017. The total debt as on 31 March, 2018 of Rs.21.46 crore comprises of term loan from bank of Rs.0.85 crore, working capital borrowing of Rs.19.60 crore and unsecured loan of Rs.1.01 crore. Interest Coverage Ratio (ICR) stood at 2.84 times in FY2018 as against 3.81 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 2.21 times as on 31 March, 2018 as against 2.05 times in the previous year. The net cash accruals to total debt (NCA/TD) stood low at 0.23 times in FY2018 as against 0.33 times in FY2017.

Going forward, Acuité believes that the firm's financial risk profile will remain moderate backed by moderate net cash accruals and no major debt funded capex plan.

Weaknesses

• Moderate working capital operations

The operations are moderately working capital intensive marked by Gross Current Assets (GCA) of 158 days in FY2018 as compared to 169 days in FY2017. The GCA days are mainly dominated by high collection period of 80 days in FY2018 compared to 73 days in FY2017. The inventory holding stood at 49 days in FY2018 compared to 68 days in FY2017.

Acuité believes that efficient working capital management will be crucial in order to maintain a stable credit profile.

• Foreign exchange fluctuation risk

The firm exports its entire product to International markets such as Mexico, Switzerland, Spain, Italy among others and does all the transactions in foreign currencies. This leads to foreign exchange fluctuation risk. However, it may be noted that the firm undertakes ~80 percent of 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 unorganised sector limits the bargaining power with customers.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	107.00	91.42	93.50
EBITDA	Rs. Cr.	7.61	6.62	9.23
PAT	Rs. Cr.	3.42	5.21	3.78
EBITDA Margin	(%)	7.12	7.24	9.87
PAT Margin	(%)	3.19	5.70	4.04
ROCE	(%)	15.75	22.64	27.45
Total Debt/Tangible Net Worth	Times	1.22	1.17	0.87
PBDIT/Interest	Times	2.84	3.81	2.51
Total Debt/PBDIT	Times	2.82	2.25	1.46
Gross Current Assets (Days)	Days	158	169	134

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Mar-2018	Packing Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Bill Discounting	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	0.25	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Short Term	0.25	ACUITE A3 (Assigned)
23-Feb-2018	Bills Discounting	Short Term	11.75	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	0.25	ACUITE A3 (Reaffirmed)
11-Nov-2016	Packing Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Packing Credit	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	4.00	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	0.25	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Proposed Packing Credit	Short Term	1.91	ACUITE A3 (Reaffirmed)
	Proposed Long Term Loan	Long Term	1.84	ACUITE BBB-/Stable (Reaffirmed)
03-Dec-2015	Term Loan	Long Term	1.84	ACUITE BBB-/Stable (Upgraded)
	Packing Credit	Short Term	3.00	ACUITE A3 (Upgraded)
	Packing Credit	Short Term	7.00	ACUITE A3 (Upgraded)
	Bills Discounting*	Short Term	4.00	ACUITE A3 (Upgraded)
	Bills Discounting*	Short Term	1.00	ACUITE A3 (Upgraded)
	Bank Guarantee^	Short Term	0.25	ACUITE A3 (Upgraded)
	Letter of Credit^	Short Term	3.00	ACUITE A3 (Upgraded)
	Proposed Packing Credit	Short Term	1.91	ACUITE A3 (Upgraded)

*Export Packing Credit and Bills Purchase facilities are fully interchangeable

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

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A3 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.75 (Enhanced from Rs. 0.25 Cr.)	ACUITE A3 (Reaffirmed)

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