

Press Release

Trend Setters International

November 14, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.30.00 Cr.
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its short-term rating of '**ACUITE A3' (read as ACUITE A three)** on the Rs.30.00 crore bank facilities of TREND SETTERS INTERNATIONAL.

Gurgaon based Trend Setters International (TSI) was established in 1986 and is engaged in the manufacturing and exporting of readymade woven garments for women and children. The firm exports to countries such as Chile, UK, USA, Belgium, China, Brazil and Central America among others. The firm is promoted by Sekhri family with current promoters, Mr. Sudhir Sekhri, Mrs. Pinky Sekhri, Mr. Siddharth Sekhri and Mr. Saurabh Sekhri. TSI has its manufacturing unit located at Manesar (Haryana) and Khandsa (Haryana) with an installed capacity of 36,00,000 pieces of readymade woven garments per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of the Trend Setters International (TSI) to arrive at the rating

Key Rating Drivers

Strengths

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

The firm is promoted by Mr. Sudhir Sekhri, Mrs. Pinky Sekhri, Mr. Siddharth Sekhri and Mr. Saurabh Sekhri. The promoters have been associated with textile industry since 1986 which gives them extensive experience in the said industry. Further, the experience of the partners have helped the firm to maintain strong relations with its suppliers as well as with its customers. The extensive experience and long track record of operations is also reflected through firm's stable revenue growth rate on year-on-year basis. Operating income exceeded Acuité expectations for FY2019 and stood at Rs.128.71 crore as against Rs.107 crore in FY2018. Further, the operating margins have also grown to 8.55 per cent in FY2019 from 7.12 per cent.

Acuité believes that the promoters' experience and healthy relations with its customers and suppliers will continue to benefit the firm over the medium term.

- **Moderate financial risk profile**

TSI has moderate financial risk profile marked by average net worth, healthy debt protection metrics and moderate gearing. The net worth of the firm has remained stable as there has been drawings by the partners. Net worth stood at Rs.18.69 crore as on 31 March, 2019 as against Rs.18.64 crore as on 31 March, 2018.

The gearing level (debt-equity) increased to 1.42 times as on 31 March, 2019 as against 1.10 times as on 31 March, 2018 on the account of increase in working capital borrowings and withdrawal of capital. Debt to EBITDA improved slightly and stood at 2.42 times in FY2019 as against 2.69 times in FY2018. The total debt of Rs.26.58 crore as on 31 March, 2019 consists of Term loan of Rs.0.60 crore, and working capital borrowings of Rs.25.98 crore. Moderate improvement in the profitability has resulted in healthy net cash accruals of Rs.8.38 crore leading to improvement in debt protection measures. The interest coverage ratio (ICR) stood at 4.20 times in FY2019 as against 2.84 times in FY2018. TOL/TNW for the company stood at 3.24 times as on 31 March, 2019 as against 2.04 times as on 31 March, 2018

Acuité believes that the financial risk profile of the firm is expected to remain moderate on account by healthy net cash accruals and in absence of any major debt funded capex in near to medium term.

Weaknesses

- **Working capital intensive nature of operations**

Operations of TSI are working capital intensive marked by Gross Current Asset (GCA) of 188 days in FY2019 as compared to 158 days in FY2018. This is on account of significant amount of statutory dues receivables, debtors' collection period of 75 days in FY2019 as against 80 days in FY2018 and inventory holding period of 82 days in FY2019 as against 49 days in FY2018. Current ratio of the firm reduced and stood average at 1.10 times as on 31 March, 2019 as against 1.24 as on 31 March, 2018. Further the creditor days stood at 205 days in FY2019 as against 141 days in the previous year.

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

- **Competitive market and foreign exchange fluctuation risk**

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 for the firm. Further, the firm exports its entire product to International market such as Mexico, Switzerland, Spain, Italy etc. and does all the transactions in foreign currencies. This leads to foreign exchange risk. However, it may be noted that the firm does 50 percent of foreign exchange hedging and its long presence in the aforementioned industry has enabled them to maintain stable and improved profitability.

Rating Sensitivity

- Significant improvement in the gearing level (below 1.0x times)
- Deterioration in working capital leading to higher reliance on external borrowings

Material Covenants

None.

Liquidity Profile

The firm has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. TSI generated cash accruals of Rs.8.38 crore in FY2019 against debt obligations of Rs.0.18 crore for the same period. The cash accruals of the firm are estimated to remain in the range of around Rs.9.54 crore to Rs.12.25 crore during FY2020-22 against repayment obligations of Rs.0.18 crore for the same period. Firm's working capital operations are intensive marked by gross current asset (GCA) days of 188 days in FY2019. Firm maintains unencumbered cash and bank balances of Rs.5.22 crore as on 31 March 2019. The current ratio stands at 1.10 times as on 31 March 2019.

Acuité believes that the liquidity of the firm is likely to remain healthy over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that TSI's outlook will remain 'Stable' backed by experienced management and financial risk profile. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues, profitability while improving working capital cycle. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	128.71	107.00	91.42
EBITDA	Rs. Cr.	11.00	7.61	6.62
PAT	Rs. Cr.	6.68	3.42	5.21
EBITDA Margin	(%)	8.55	7.12	7.24
PAT Margin	(%)	5.19	3.19	5.70
ROCE	(%)	22.05	15.75	22.64
Total Debt/Tangible Net Worth	Times	1.42	1.10	1.05
PBDIT/Interest	Times	4.20	2.84	3.81
Total Debt/PBDIT	Times	2.42	2.69	2.14
Gross Current Assets (Days)	Days	188	158	169

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Application of 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
30-Oct-2019	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	4.75	ACUITE A3 (Reaffirmed)
21-Nov-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	4.75 (Enhanced from Rs.0.25 crore)	ACUITE A3 (Reaffirmed)
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 (Reaffirmed)
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)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	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	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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