

Press Release

Trend Setters International

January 29, 2021



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs.36.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Assigned)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.29.90 crore bank facilities of Trend Setters International.

Further, Acuité has assigned a long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.6.10 crore bank facilities of Trend Setters International. The outlook is '**Stable**'.

About the company

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 46,00,000 pieces of readymade woven garments per annum.

Analytical Approach

For arriving at this rating, Acuité has taken a standalone view of the business and financial risk profile of TSI.

Key Rating Drivers

Strengths

- **Experienced Management and established market position**

Trend Setters International 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 customers as well as with its suppliers. 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 FY2020 and stood at Rs.162.83 crore as against Rs.128.71 crore in FY2019. However, due to lockdown the operations of the firm were impacted and operating income stood at Rs.46.40 for the period (April-November) in FY2021 as against Rs.79.94 crore for the same period in FY2020.

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**

Firm 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.19.11 crore as on 31 March, 2020 as against Rs.18.69 crore as on 31 March, 2019.

The gearing level (debt-equity) stood stable at 1.41 times as on 31 March, 2020 as against 1.42 times as on 31 March, 2019. And TOL/TNW (Total Outside Liabilities- Tangible Net Worth) stood at 3.74 times as on 31 March 2020 as against 3.24 times as on 31 March 2019. The total debt of Rs.27.02

crore as on 31 March 2020 consists of Term loan of Rs.1.36 crore, and working capital borrowings of Rs.25.66 crore. There has been slight reduction in profitability, which led to slight reduction in debt protection metrics, however, debt protection metrics continues to remain healthy marked by interest coverage ratio (ICR) and debt service coverage ratio (DSCR) of 3.96 times and 3.74 times respectively in FY2020. Debt to EBITDA improved slightly and stood at 2.28 times in FY2020 as against 2.42 times in FY2019.

Acuité believes that the financial risk profile of the firm is expected to remain moderate backed by average 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 168 days in FY2020 as compared to 188 days in FY2019. This is on account of significant amount of statutory dues receivables, debtors' collection period of 68 days in FY2020 as against 75 days in FY2019 and inventory holding period of 59 days in FY2020 as against 82 days in FY2019. Current ratio of the firm stood average at 1.07 times as on 31 March, 2020.

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 around 50 percent of foreign exchange hedging and its long presence in the aforementioned industry has enabled them to maintain stable and improved profitability.

Liquidity Profile: Adequate

The firm has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. TSI generated cash accruals of Rs.8.86 crore in FY2020 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.4.50-7.50 crore during FY2021-23 against repayment obligations of Rs.0.25 crore during the same period. Firm's working capital operations are intensive marked by Gross Current Asset (GCA) days of 168 days in FY2020. Firm maintained unencumbered cash and bank balances of Rs.5.11 crore as on 31 March 2020. 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 adequate over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Rating Sensitivities

- Lower than expected operating performance
- Significant decline in profitability margins
- Any deterioration in working capital cycle of the firm

Outlook: Stable

Acuité believes that TSI's outlook will remain 'Stable' backed by experienced management. 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 a steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	162.83	128.71
PAT	Rs. Cr.	6.59	6.68
PAT Margin	(%)	4.05	5.19
Total Debt/Tangible Net Worth	Times	1.41	1.42
PBDIT/Interest	Times	3.96	4.20

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Any Material Covenants

Not Applicable

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Application of Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
14-Nov-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)
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 (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)

***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	16.00	ACUITE A3 (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3 (Reaffirmed)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	3.70	ACUITE BBB-/Stable (Assigned)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	2.40	ACUITE BBB-/Stable (Assigned)
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	2.65	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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