

## Trident Texofab Limited

September 08, 2022

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE BB-; Stable (Double B Minus; Outlook: Stable) and Withdrawn
<b>Total Bank Facilities</b>	<b>0.00</b> (₹ Only)		

Details of instruments/facilities in Annexure-1.

### Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has withdrawn the outstanding ratings assigned to the bank facilities of Trident Texofab Limited (TTL) with immediate effect. The above action has been taken at the request of Trident Texofab Limited and 'No Objection Certificate' received from the bank that have extended the facility rated by CARE.

### Detailed description of the key rating drivers

#### Key rating weaknesses

**Moderate scale of operation coupled with low profit margins:** Company's total operating income continues to remain small however improved by 64.21% to Rs. 85.03 crore in FY22 from Rs.51.78 crore in FY21 due to increase in demand as well as better execution of order. Company has already achieved total income of Rs. 23.53 crore in Q1FY23 vis-à-vis Rs. 24.85 crore in Q4FY22 and Rs. 15.02 crore in Q1FY22. PBILDT margin of the company has declined to 6.50% in FY22 vis-à-vis 9.14% in FY21 on account of increase in material costs. However, its PAT margin improved to 1.16% in FY22 vis-à-vis 0.68% in FY21 on account of extraordinary income (reversal of additional tax provisions) in FY22.

**Leveraged capital structure and weak debt coverage indicators:** Capital structure of the company remained highly leveraged in past and further deteriorated marked by overall gearing of 3.01x as on March 31, 2022 vis-à-vis 2.85x as on March 31, 2021 on account of increase in debt level as company had availed term loan in FY22 to fund the purchase of machinery. Despite the increase in debt level, debt coverage indicators, total debt to GCA improved at 14.19x in FY22 vis-à-vis 19.50x in FY21 on account of increase in GCA (due to improved profitability and increase in depreciation) and interest coverage ratio of 1.96x in FY22 vis-à-vis 1.66x in FY21.

**Moderately working capital intensive nature of operations:** The operation of TTL continued to remain working capital intensive, however operating cycle improved to 99 days in FY22 vis-à-vis 130 days in FY21 mainly on account of quicker collection from debtors as well as decrease in inventory days due to quicker execution of orders. All taken collectively, operations of the company remained working capital intensive leading to full utilization of working capital limit for past twelve months ended August 2022.

#### Susceptibility of profit margins due to volatile material prices

The material is the major cost driver (constituting about 93.5% of total cost of sales in FY22) and the prices of the same are volatile in nature therefore cost base remains exposed to any adverse price fluctuations in the prices of the polyester yarn, ink, fabric being major cost component amongst all materials is volatile in nature. Accordingly, the profitability margins of the company are susceptible to fluctuation in raw material prices. With limited ability to pass on the increase in raw material costs in a competitive operating spectrum, any substantial increase in raw material costs would affect the company's profitability.

#### Presence in competitive and fragmented industry

Company operates in a highly competitive and fragmented textile industry. The company witnesses intense competition from both organized and unorganized players domestically. This fragmented and highly competitive industry results into price competition thereby posing a threat to the profit margins of the companies operating in the industry.

### Key Rating Strengths

#### Long track record of operations coupled with experienced promoters in the business

TTL possesses an established track record of more than a decade in the textile industry and is promoted by directors Mr. Hardik Desai along with Mr. Chetan Jariwala who have rich experience for more than two decades in the industry. All the promoters are assisted by experienced management team in the field of accounts, sales and production to carry out day-to-day operations.

#### Liquidity: Stretched

The liquidity position remained stretched marked by tightly matched accruals to repay its debt obligations. Further, free cash and bank balance remained low at Rs.0.04 crore as on March 31, 2022 (vis-à-vis Rs. 0.03 crore as on March 31, 2021). The

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

company has liquid investment worth Rs. 2.06 crore as on March 31, 2022. The current ratio and quick ratio stood at 1.32x and 1.08x respectively as on March 31, 2022 (vis-à-vis 1.32x and 1.06x respectively as on March 31, 2021).

**Analytical approach:** Standalone

**Applicable criteria**

[Policy on Withdrawal of ratings](#)

[Criteria on assigning Outlook to Credit Rating](#)

[CARE's default recognition policy](#)

[Financial ratios - Non Financial Sector](#)

[Rating Methodology- Manufacturing Companies](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

**About the company**

Trident Texofab Limited (TTL) was incorporated in 2008, by Mr. Hardik Desai and Mr. Chetan Jariwala and got listed on Bombay Stock Exchange (SME platform) on October 10, 2017. TTL is engaged in the trading of polyester grey fabric and manufacturing of polyester and polyester blended fabric used in home furnishing products, clothing. Company has factory located in Surat with an installed capacity of 20 lakh meter of fabric per month. It procures polyester yarn, ink and fabric from the suppliers located in Surat and sells its product to the garment processing units in Surat, Ahmedabad, Panipat and Mumbai.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23(UA)
Total operating income	51.78	85.03	23.66
PBILDT	4.73	5.53	1.59
PAT	0.35	0.98	0.24
Overall gearing (times)	2.85	3.01	NA
Interest coverage (times)	1.66	1.96	1.85

A: Audited; UA: Unaudited; NA: Not Available

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	-	0.00	Withdrawn

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB-; Stable (25-Aug-21)	1)CARE BB; Stable (30-Jul-20)	1)CARE BB; Stable (24-Apr-19)
2	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB-; Stable (25-Aug-21)	1)CARE BB; Stable (30-Jul-20)	1)CARE BB; Stable (24-Apr-19)

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Available

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

## Contact us

**Media contact**

Name: Mradul Mishra  
Phone: +91-22-6754 3596  
E-mail: [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

**Analyst contact**

Name: Ruchi Sanghavi  
Phone: 9820921375  
E-mail: [ruchi.shroff@careedge.in](mailto:ruchi.shroff@careedge.in)

**Relationship contact**

Name: Saikat Roy  
Phone: +91-98209 98779  
E-mail: [saikat.roy@careedge.in](mailto:saikat.roy@careedge.in)

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