

CREDIT RATING REPORT

MAY 2025

Trident Texofab Limited

Instrument Rated	
Total Bank Loan Facilities Rated	Rs.20 Crore
Long Term Rating	Crisil B+/Stable (Reaffirmed)
<i>Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.</i>	
<i>1 crore = 10 million</i>	
<i>Refer to Annexure for Details of Instruments & Bank Facilities</i>	

Rating History			
Date	Long Term Rating	Short Term Rating	Rating Watch/Outlook
Apr 8, 2025	Crisil B+	--	Stable
Jan 9, 2024	Crisil B+	--	Stable
Nov 3, 2023	Crisil D	--	-
Aug 29, 2022	Crisil BB	--	Stable

Crisil Ratings has reaffirmed its '**Crisil B+/Stable**' rating on the long-term bank facilities of Trident Texofab Ltd (TTL).

Analytical approach:

Crisil Ratings has considered the standalone business and financial risk profiles of TTL. Unsecured loan of Rs 8.44 crore as on March 31, 2024, from the promoters was treated as 75% equity and 25% debt as the interest on the loan is less than the market rate and the loan is expected to remain in the business over the medium term.

Key rating drivers

Weaknesses:

- Exposure to intense competition and susceptibility to volatility in raw material prices
- Large working capital requirement

Strengths:

- Extensive experience of the promoters in the textile industry
- Average financial risk profile

Outlook: Stable

TTL will continue to benefit from the extensive experience of the promoters and its above-average operating efficiency. Timely, need-based funding support from the promoters is likely to continue.

Rating sensitivity factors

Upward factors

- Steady revenue growth and operating margin sustaining above 5%, leading to cash accrual above Rs 3 crore
- Improvement in the working capital cycle

Downward factors

- Decline in revenue or profitability, resulting in net cash accrual below Rs 2.9 crore
- Further stretch in the working capital cycle with increase in receivables
- Large, debt-funded capital expenditure

About the company

Incorporated in 2008, TTL manufactures and trades in textile fabrics used in home furnishing products and clothing. Its facility in Surat, Gujarat, has installed capacity of 20-25 lakh metre of fabric per month. The company was listed on the small and medium enterprises platform of the Bombay Stock Exchange in 2017. Hardik Desai and Chetan Jariwala own and manage the business.

The rating reflects the company's following weaknesses:

Exposure to intense competition and susceptibility to volatility in raw material prices: The textile industry is highly fragmented owing to low entry barrier on account of limited capital and technology requirement and limited differentiation in products. Moreover, revenue and profitability are susceptible to fluctuation in the prices of the key raw materials, cotton and yarn, as raw material cost accounts for 85-90% of the total cost. The operating margin is estimated to have declined to 5-6% in fiscal 2025 from 8.1% in fiscal 2024. Any adverse fluctuation in the profitability will be monitorable.

Large working capital requirement: Gross current assets rose to 180 days on March 31, 2024, driven by receivables of 125 days and inventory of 54 days, and are expected at 180-190 days over the medium term. The company needs to extend long credit period and maintain sizeable work-in-progress inventory to meet business requirement.

These weaknesses are offset by the following strengths:

Extensive experience of the promoters: The promoters have experience of more than two decades of in the textile weaving, knitting and processing industry; their strong understanding of market dynamics and healthy relationships with suppliers and customers will continue to support the business. The company achieved revenue of Rs 84 crore as of December 2024 and is expected to grow at 6-7% over the medium term.

Average financial risk profile: The capital structure was modest as reflected in estimated gearing of 1.36 times as on March 31, 2025. Debt protection metrics were adequate with interest coverage and net cash accrual to total debt ratios estimated at 1.39 times and 0.09 time, respectively, in fiscal 2025. However, networth is estimated to be small at Rs 17.96 crore as on September 30, 2024.

Liquidity: Stretched

Bank limit utilisation was high at 98.88% on average for the 12 months through January 2025. Annual cash accrual is projected at Rs 3.27-3.51 crore against yearly term debt obligation of Rs 2.99 crore in fiscal 2025 and Rs 2.70 crore in fiscal 2026. The surplus will cushion liquidity. The current ratio was estimated at 1.15 times as on March 31, 2025. The promoters will likely extend equity and unsecured loans to meet the working capital requirement and debt obligation.

Financial policy

Financial policy was average as reflected in total outside liabilities to adjusted networth ratio of 2.50 times as on March 31, 2024, which is expected to improve with accretion of profit into reserve over the medium term.

Derivatives

The company is not engaged in forward contract to hedge its foreign exchange.

Dividend policy:

The company has not paid dividend in the past and is expecting no dividend pay-out over the medium term.

Key Financial Indicators (Standalone)

As on for the year ended March 31	Unit	2024	2023	2022
		Actuals	Actuals	Actuals
Net Sales	Rs Crore	99.48	96.37	84.29
Operating Income	Rs Crore	99.63	96.50	84.38
OPBDIT	Rs Crore	8.05	8.34	6.12
PAT	Rs Crore	1.08	2.22	0.99
Net Cash Accruals	Rs Crore	2.73	3.86	2.45
Equity Share Capital	Rs Crore	10.07	10.07	10.07
Adjusted Networkth	Rs Crore	22.56	19.99	16.43
Adjusted Debt	Rs Crore	30.64	30.11	33.95
OPBDIT Margins	%	8.08	8.64	7.25
Net Profit Margins	%	1.08	2.30	1.17
ROCE	%	12.49	16.48	11.02
PBDIT / Int. & Finance Charges	Times	1.43	1.80	1.67
Net Cash Accruals / Adjusted Debt	Times	0.09	0.13	0.07
Adjusted Debt / Adjusted Networkth	Times	1.36	1.51	2.07
Adjusted Debt / PBDIT	Times	3.56	2.98	5.01
Current Ratio	Times	1.25	1.25	1.34
Cashflow from operations	Rs Crore	-1.18	2.30	-1.78
TOL/ ANW	Times	2.50	2.86	3.21
Operating Income/Gross Block	Times	3.47	3.57	4.00
Gross Current Assets days	Days	180	175	164
Debtor Days	Days	125	128	126
Inventory Days	Days	54	44	34
Creditor Days	Days	73	80	57

Annexure 1: Bank-Details of Facility Classes

1.Working Capital Term Loan

#	Bank	Amount (Rs.Cr.)	Rating
a.	Axis Bank Limited	3.06	Crisil B+ / Stable
-	Total	3.06	-

2.Proposed Fund-Based Bank Limits

#	Bank	Amount (Rs.Cr.)	Rating
a.		0.44	Crisil B+ / Stable
-	Total	0.44	-

3.Long Term Loan

#	Bank	Amount (Rs.Cr.)	Rating
a.	Axis Bank Limited	3.25	Crisil B+ / Stable
-	Total	3.25	-

4.Cash Credit

#	Bank	Amount (Rs.Cr.)	Rating
a.	Axis Bank Limited	13.25	Crisil B+ / Stable
-	Total	13.25	-