

May 7, 2010

CARE ASSIGNS 'AA-' TO THE NCD ISSUE OF TRENT LTD.

CARE has assigned a '**CARE AA-**' [**Double A Minus**] rating to the proposed NCD issue aggregating Rs.50 crore of Trent Ltd (Trent). Instruments with this rating are considered to offer high safety for timely servicing of debt obligations. Such instruments carry very low credit risk. The proposed NCDs would have tenure of five years from the deemed date of allotment with bullet repayment at the end of fifth year along with a premium.

Instrument/Facilities	Amount (Rs. crore)	Rating
Long-term NCDs	150.00	CARE AA- (Double A Minus)
Total	150.00	

Rating Rationale

The rating continued to derive strength from strong profile of Trent's promoters, well qualified management team, established brand and sufficient liquid investments and low gearing levels. The rating also factored in regular equity infusions by promoters over the last three years till FY08, to fund the growth plans of Trent.

Further the ratings were constrained by the declining profit margins, deteriorating performance of the wholly-owned subsidiary Trent Hypermarket Ltd (THL), likely tangible or intangible support that it might require from Trent. Further the rating was constrained by the slowdown in performance of retail industry during FY09 due to economic slowdown and the increasing competition in the industry.

Ability of the company to open new stores as envisaged, in a timely manner, achieve better profitability given the stiff competition and slowdown in the economy were the key rating sensitivities.

Company Profile

Trent, part of the Tata Group (Tata group – 32% holding including 26% directly held by Tata Sons Ltd as on March 31, 2009) was engaged in lifestyle retailing businesses through Westside stores.

During FY09, the company reported sales of Rs.496 crore and an operating loss of Rs.3 crore. However due to non-operating income, company posted a PAT of Rs.25 crore. In 9MFY10, Trent posted a total income of Rs.425 crore (up by 8% vis-à-vis 9MFY09) and a PAT of Rs.26 crore (up by 49% vis-à-vis 9MFY09).

Trent had liquid investments to the tune of Rs.151 crore and unutilised fund based limits to an extent of Rs.80.74 crores as on December 31, 2009.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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