



SMERA RATINGS LIMITED

# Tristar Intermediates Private Limited (TIPL)

*Rating  
Rationale*

**March 24, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.25	SMERA BB+/Stable (Assigned)
Standby Line of Credit	0.30	SMERA A4+ (Assigned)
Term Loan - I	0.02	SMERA BB+/Stable (Assigned)
Term Loan - II	0.32	SMERA BB+/Stable (Assigned)
Other Loan	0.22	SMERA BB+/Stable (Assigned)
Letter of Credit	1.25	SMERA A4+ (Assigned)
Bank Guarantee	0.25	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.5.11 crore fund-based facilities and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.1.50 crore non-fund based facilities of Tristar Intermediates Private Limited (TIPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management and healthy financial risk profile. The ratings are also supported by the company's diversified product profile and reputed clientele. However, the ratings are constrained by the company's small scale of operations. The ratings note that the company's profit margins are susceptible to volatility in raw material prices. The ratings are also constrained by the company's exposure to intense competition in the chemical industry.

TIPL, incorporated in 1997, is a Gujarat-based company engaged in manufacturing and trading of chemicals. The company also undertakes ethoxylation process on job work basis. TIPL benefits from its experienced management. The promoters of the company have ~27 years of experience in the chemical industry. TIPL's strong financial risk profile is reflected in low gearing of 0.88 times (as on March 31, 2014), healthy interest coverage ratio of 5.56 times and comfortable debt service coverage ratio (DSCR) of 2.45 times in FY2013-14 (refers to financial year, April 01 to March 31). The company has a diversified product portfolio which includes disperse dye intermediates and ethylene oxide-based products. TIPL caters to several reputed customers such as Pidilite Industries Ltd., Godrej Industries Limited and Meghmani Dyes & Intermediates Ltd.

TIPL has small-scale operations with revenues of Rs.26.77 crore in FY2013-14. The company's profit margins are highly susceptible to fluctuations in raw material prices, given that raw material cost accounts for ~79 per cent of the total cost of sales. TIPL's operating margin declined from 14.40 per cent in FY2012-13 to 11.30 per cent in FY2013-14. The company operates in an intensely competitive segment of the chemical industry.

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## Rating Rationale

### Outlook:Stable

SMERA believes TIPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than-expected growth in revenue and net cash accruals or in case of deterioration in the company's capital structure and working capital management.

### About the company

TIPL, incorporated in 1997, is a Valsad-based company promoted by Mr. Uday Marballi, Mr. Sanjay Marballi, Mr. Ramakrishna Thite and Mr. Debashish Chakraborty. TIPL is engaged in manufacturing and trading of various chemicals such as disperse dye intermediates and ethylene oxide-based products used in solvent dyes, cosmetics, paints, pigments, perfumes and inks. TIPL also undertakes ethoxylation process on job work basis. The company has a factory unit in Valsad (Gujarat), with ethoxylation capacity of 18,000 metric tonnes per annum (MTPA) and distillation capacity of 3,600 MTPA.

For FY2013-14, TIPL reported profit after tax (PAT) of Rs.1.24 crore on operating income of Rs.26.77 crore, as compared with PAT of Rs.1.04 crore on operating income of Rs.16.05 crore in FY2012-13. The company registered revenue of ~Rs.33.00 crore (provisional) during April 2014 to December 2014. TIPL's net worth stood at Rs.4.77 crore as on March 31, 2014, as compared with Rs.3.50 crore a year earlier.

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