

Press Release

Tristar Intermediates Private Limited (TIPL)

February 24, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.11.03 Cr
Long Term Rating	SMERA BB+/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB+**' (read as SMERA double B plus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the above mentioned Rs.11.03 crore bank facilities of Tristar Intermediates Private Limited (TIPL). The outlook is '**Stable**'.

TIPL, incorporated in 1997, is a Gujarat-based company engaged in the manufacturing of disperse dye intermediates and ethylene oxide-based products at Sarigam (Gujarat).

List of key rating drivers and their detailed description

Strengths:

Experienced management: TIPL was promoted by Mr. Uday Marballi, Mr. Sanjay Marballi, Mr. Ramakrishna Thite and Mr. Debashish Chakraborty who possess over two decades of experience in the manufacturing and marketing of chemicals.

Efficient working capital management: TIPL has efficient working capital cycle of 46 days in FY2015-16. The debtor days stood at 74 as against 84 in FY2014-15 while the creditor days stood at 54 in FY2015-16 as against 53 in FY2014-15. The inventory days stood at 24 in FY2015-16 as against 16 in FY 2014-15.

Moderate financial risk profile: TIPL's gearing (total debt/equity ratio) stood at 1.03 times as on 31 March 2016 as compared to 1.06 times as on 31 March 2015. Going forward, the overall gearing is expected to improve on account of repayment of debt. The interest coverage ratio stands healthy at 4.04 times for FY2015-16 as against 4.07 times for FY2014-15. The NCA/TD stood at 0.26 times in FY2015-16.

Diversified product range: TIPL manufactures intermediate chemicals involving ethoxylation process. These intermediates find application in wide range of products ranging from disperse dyes and intermediates, preservatives and aromatic chemicals. The end users are the cosmetics and paint industries.

Weaknesses

Decline in margins: The EBITDA margins declined to 8.40 per cent in FY2015-16 from 9.82 per cent in FY2014-15 on account of increase in raw material prices and increase in promotional expenses. The PAT margins also declined from 3.73 per cent in FY2015-16 to 3.21 per cent in FY2014-15.

Intense market competition: TIPL operates in a highly fragmented industry with intense competition limiting the bargaining power with customers.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that TIPL will continue to maintain a stable outlook and benefit over the medium term owing to the extensive experience of its promoter. The outlook may be revised to 'Positive' in case the company registers substantial increase in revenue and profitability. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability or stretch in working capital cycle weakening its financial risk profile particularly liquidity.

About the Rated Entity

TIPL, incorporated in 1997, is a Gujarat-based company promoted by Mr. Uday Marballi, Mr. Sanjay Marballi, Mr. Ramakrishna Thite and Mr. Debasish Chakraborty. The company manufactures disperse dye intermediates and ethylene oxide-based products.

In FY2015-16, TIPL reported profit after tax (PAT) of Rs.1.47 cr on operating income of Rs. 45.85 cr, as against PAT of Rs.1.32 cr on operating income of Rs.35.32 cr in FY2014-15. The net worth stood at Rs. 8.08 cr as on March 31, 2016 against Rs. 6.61 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument/Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	7.50 (Enhanced from 4.25)	SMERA BB+/ Stable (Reaffirmed)	7 Jan, 2016	SMERA BB+/ Stable (Reaffirmed)	24 Mar, 2015	SMERA BB+/ Stable (Assigned)	NA	NA
Term Loan I	LT	0.02	SMERA BB+/ Stable (Reaffirmed)	7 Jan, 2016	SMERA BB+/ Stable (Reaffirmed)	24 Mar, 2015	SMERA BB+/ Stable (Assigned)	NA	NA
Term Loan II	LT	0.32	SMERA BB+/ Stable (Reaffirmed)	7 Jan, 2016	SMERA BB+/ Stable (Reaffirmed)	24 Mar, 2015	SMERA BB+/ Stable (Assigned)	NA	NA
Term Loan III	LT	0.72	SMERA BB+/ Stable (Assigned)	NA	NA	NA	NA	NA	NA
Other Loan	LT	0.22	SMERA BB+/ Stable (Reaffirmed)	7 Jan, 2016	SMERA BB+/ Stable (Reaffirmed)	24 Mar, 2015	SMERA BB+/ Stable (Assigned)	NA	NA
Standby Line of Credit	ST	0.50 (Enhanced from 0.30)	SMERA A4+ (Reaffirmed)	7 Jan, 2016	SMERA A4+ (Reaffirmed)	24 Mar, 2015	SMERA A4+ (Assigned)	NA	NA
Letter of Credit	ST	1.50 (Enhanced from 1.25)	SMERA A4+ (Reaffirmed)	7 Jan, 2016	SMERA A4+ (Reaffirmed)	24 Mar, 2015	SMERA A4+ (Assigned)	NA	NA
Bank Guarantee	ST	0.25	SMERA A4+ (Reaffirmed)	7 Jan, 2016	SMERA A4+ (Reaffirmed)	24 Mar, 2015	SMERA A4+ (Assigned)	NA	NA

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	7.50	SMERA BB+/Stable (Reaffirmed)
Term Loan I	N.A	N.A	2017	0.02	SMERA BB+/Stable (Reaffirmed)
Term Loan II	N.A	N.A	2018	0.32	SMERA BB+/Stable (Reaffirmed)
Term Loan III	N.A	N.A	2018	0.72	SMERA BB+/Stable (Assigned)
Other Loan	N.A	N.A	N.A	0.22	SMERA BB+/Stable (Reaffirmed)
Standby Line of Credit	N.A	N.A	N.A	0.50	SMERA A4+ (Reaffirmed)
Letter of Credit	N.A	N.A	N.A	1.50	SMERA A4+ (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	0.25	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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