

Press Release

Tristar Intermediates Private Limited

15 February 2018



Rating Upgraded, Withdrawn and Assigned

| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs.16.83 Cr. (Enhanced from Rs. 11.03 Cr.) |
| Long Term Rating | SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable) |
| Short Term Rating | SMERA A3 (Upgraded from SMERA A4+) |

**Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA BBB-**' (read as **SMERA triple B minus**) from '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating to '**SMERA A3**' (read as **SMERA A three**) from '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.13.87 crore facilities. SMERA has assigned long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs. 2.96 crore bank facility of Tristar Intermediates Private Limited (TIPL). The outlook is '**Stable**'.

Further SMERA has withdrawn the long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the Rs. 0.56 crore bank facility.

The upgrade is in view of the improvement in the scale of operations and established relations with customers.

TIPL, incorporated in 1997, is a Valsad-based company promoted by Mr.Uday Marballi, Mr. Sanjay Marballi, Mr. Ramakrishna Thite and Mr. Debashish Chakraborty. The company is engaged in the manufacturing and trading of chemicals (disperse dye intermediates and ethylene oxide-based products used in solvent dyes) cosmetics among others. TIPL also undertakes ethoxylation process on job work basis. The unit is located at Valsad (Gujarat).

Strengths

Established track record of operations, 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. SMERA believes that the company will sustain its existing business profile on the back of its experienced management and healthy relations with customers.

Comfortable working capital cycle

TIPL has comfortable working capital days of 43 days for FY2017 as against 46 days in FY2016. This is majorly on account of low inventory holding period of 29 days in FY2017 as against 27 days in FY2016. The receivable days stood at 86 in FY2017 as against 74 in FY2016. The company gets extended credit period of ~80 days which moderates the utilisation of working capital. The average working capital utilisation stood at 82.44 percent for the last six months ended December 2017.

Moderate financial risk profile marked by moderate gearing and healthy ICR

The financial risk profile of TIPL has remained moderate marked by net worth of Rs. 9.53 crore as on 31 March, 2017 as against Rs.8.08 crore as on 31 March, 2016. The gearing (total debt/equity ratio) stood at 1.18 times as on 31 March, 2016 as compared to 1.06 times as on 31 March, 2015. The total debt of Rs.11.24 crore outstanding as on 31 March, 2017 comprises Rs. 0.95 crore as term loan, Rs. 1.92 crore as unsecured loans from promoters and Rs. 8.02 crore as working capital borrowings from the bank. The Interest Coverage Ratio stood at 3.32 times for FY2017 as compared to 4.04 times for FY2016. The net cash accruals stood at Rs. 2.12 crore in FY2017 as against debt obligation of Rs. 0.35 crore for FY2017.

SMERA believes that the company will maintain its credit profile by generating healthy net cash accruals in the absence of any debt funded capex plan.

Healthy business profile

TIPL manufactures intermediate chemicals involving ethoxylation process. These intermediates find application in a wide range of products ranging from disperse dyes and intermediates, preservatives and aromatic chemicals. The end users are the cosmetics and paint industries. The company has reputed customers which includes Pidilite, Grauer & Weil, Godrej Ind Ltd, Colorband etc to name a few. The revenues of TIPL stood at Rs. 52.71 crore in FY2017 as against Rs. 45.85 crore in FY2016 and Rs. 35.32 crore in FY2015. SMERA believes that the company will sustain its existing business profile on the back of healthy relations with reputed customers.

Weaknesses

Decline in margins

TIPL's EBITDA margins have declined from 8.40 percent in FY2016 to 7.65 percent in FY2017 owing to increase in the promotional expenses for European Union "Reach" certification. The PAT margins have fallen from 3.21 percent in FY2016 to 2.63 percent in FY2017.

Highly competitive and fragmented industry

TIPL operates in a highly fragmented industry with intense competition limiting its bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of TIPL to arrive at the rating.

Outlook- Stable

SMERA believes that TIPL will maintain a stable outlook over the medium term owing to its experienced management. 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 of lower than-expected growth in revenue and net cash accruals or deterioration in the company's capital structure and working capital management.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 52.71 | 45.85 | 35.32 |
| EBITDA | Rs. Cr. | 4.03 | 3.85 | 3.47 |
| PAT | Rs. Cr. | 1.38 | 1.47 | 1.32 |
| EBITDA Margin | (%) | 7.65 | 8.40 | 9.82 |
| PAT Margin | (%) | 2.63 | 3.21 | 3.73 |
| ROCE | (%) | 17.17 | 20.45 | 24.62 |
| Total Debt/Tangible Net Worth | Times | 1.18 | 1.03 | 1.06 |
| PBDIT/Interest | Times | 3.32 | 4.04 | 4.07 |
| Total Debt/PBDIT | Times | 1.96 | 2.04 | 1.83 |
| Gross Current Assets (Days) | Days | 133 | 109 | 101 |

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|--------------|---------------------------------|------------|-------------------------------------|------------------------------------|
| 24-Feb, 2017 | Cash Credit | Long Term | 7.50 (Revised from Rs. 4.25 Cr.) | SMERA BB+ / Stable (Reaffirmed) |
| | Standby line of credit | Short Term | 0.50 (Revised from Rs. 0.30 Cr.) | SMERA A4+ (Reaffirmed) |
| | Term loan I | Long Term | 0.02 | SMERA BB+ / Stable (Reaffirmed) |
| | Term loan II | Long Term | 0.32 | SMERA BB+ / Stable (Reaffirmed) |
| | Other loan | Long Term | 0.22 | SMERA BB+ / Stable (Reaffirmed) |
| | Term loan III | Long Term | 0.72 | SMERA BB+ / Stable (Assigned) |
| | Letter of credit | Short Term | 1.50 (Revised from Rs. 1.25 Cr.) | SMERA A4+ (Reaffirmed) |
| | Bank Guarantee | Short Term | 0.25 | SMERA A4+ (Reaffirmed) |
| 07-Jan, 2016 | Cash Credit | Long Term | 4.25 | SMERA BB+ / Stable (Reaffirmed) |
| | Standby line of credit | Short Term | 0.30 | SMERA A4+ (Reaffirmed) |
| | Term loan I | Long Term | 0.02 | SMERA BB+ / Stable (Reaffirmed) |

| | | | | |
|-------------|------------------------|------------|------|------------------------------------|
| | Term loan II | Long Term | 0.32 | SMERA BB+ / Stable (Reaffirmed) |
| | Other loan | Long Term | 0.22 | SMERA BB+ / Stable (Reaffirmed) |
| | Letter of credit | Short Term | 1.25 | SMERA A4+ (Reaffirmed) |
| | Bank Guarantee | Short Term | 0.25 | SMERA A4+ (Reaffirmed) |
| 24-Mar-2015 | Cash Credit | Long Term | 4.25 | SMERA BB+ / Stable (Assigned) |
| | Standby line of credit | Short Term | 0.30 | SMERA A4+ (Assigned) |
| | Term loan I | Long Term | 0.02 | SMERA BB+ / Stable (Assigned) |
| | Term loan II | Long Term | 0.32 | SMERA BB+ / Stable (Assigned) |
| | Other loan | Long Term | 0.22 | SMERA BB+ / Stable (Assigned) |
| | Letter of credit | Short Term | 1.25 | SMERA A4+ (Assigned) |
| | Bank Guarantee | Short Term | 0.25 | SMERA A4+ (Assigned) |

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings |
|------------------------|------------------|----------------|----------------|--------------------------------------|---|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 9.40 (Enhanced from Rs. 7.50 Cr.) | SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable) |
| Standby line of credit | Not Applicable | Not Applicable | Not Applicable | 0.50 | SMERA A3 (Upgraded from SMERA A4+) |
| Term loan I | Not Applicable | Not Applicable | 2017 | 0.02 | SMERA BB+/Stable (Withdrawn) |
| Term loan II | Not Applicable | Not Applicable | 2018 | 0.32 | SMERA BB+/Stable (Withdrawn) |
| Term loan III | Not Applicable | Not Applicable | 2018 | 0.72 | SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable) |
| Other loan | Not Applicable | Not Applicable | Not Applicable | 0.22 | SMERA BB+/Stable (Withdrawn) |
| Term loan IV | Not Applicable | Not Applicable | Not Applicable | 2.60 | SMERA BBB-/Stable (Assigned) |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 2.50 (Revised from Rs. 1.50 Cr.) | SMERA A3 (Upgraded from SMERA A4+) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 0.75 (Revised from Rs. 0.25 Cr.) | SMERA A3 (Upgraded from SMERA A4+) |
| Proposed facility | Not Applicable | Not Applicable | Not Applicable | 0.36 | SMERA BBB-/Stable (Assigned) |

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ABOUT SMERA

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