

Press Release

Tristar Intercontinental Private Limited

January 17, 2020

Rating Downgraded



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to '**ACUITE D**' (read as **ACUITE D**) to the Rs.25.00 crore bank facilities of Tristar Intercontinental Private Limited.

The rating downgrade is on account of recent devolvement in letter of credit (LC) which is overdue for more than 30 days. The last devolvement has happened in the month of December 2019.

Mumbai based, Tristar Intercontinental Private Limited (TIPL) was incorporated in 1985. The company was initially engaged in trading of iron and steel products and machineries. Since 2011, the company has been engaged in trading of wool. The company imports wool from Australia, New Zealand and China among other countries and sells them locally. The total import constitutes to ~90% of total purchases. The company is promoted by Miss. Sargam Pawan Aggarwal (Managing director) and Mrs. Shashi Lata Aggarwal.

Analytical Approach

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

Key Rating Drivers:

Strengths

• Established track record of operations and experienced management

TIPL was incorporated in 1985 having an operational track record of over three decades. The directors, Miss. Sargam Aggarwal and Mrs. Shashi Lata Aggarwal have extensive experience in the aforementioned line of business. Mr. Pawan Aggarwal, the CEO has been with the company since its inception which has helped TIPL to maintain relations with its suppliers and customers.

Weaknesses

• Delay in debt servicing obligation

The rating reflects irregularities in servicing of debt obligations. The company's letter of credit (LC) has been devolved which has not yet been regularized within 30 days. The last devolvement has occurred in December 2019.

• Thin profitability

Having said that the company is engaged in trading industry, the EBITDA margins stood thin at 1.31 percent in FY2018 as against 0.93 percent in FY2017 and 0.29 percent in FY2016. PAT margins are also low at 0.50 percent in FY2018 as against 0.38 percent in FY2017.

• Customer concentration risk

The company is exposed to customer concentration risk with 70-80 percent of revenue generation from Indoworth India Limited. TIPL caters to one more customer namely Uniworth Limited and generates 10-15 percent of revenues from them.

• Foreign exchange fluctuation risk

The company is exposed to foreign exchange fluctuation risk as it generates around 15% of its revenue by exporting yarn in Japan. However, the company has signed a contract with the party to pay the amount at the price on date of delivery.

Liquidity Profile

The company has stretched liquidity marked by weak cash accruals in FY2018. The company generated low cash accruals of Rs.0.50 crore for the period FY2018 as against Rs.0.32 crore during FY2017. The company has intensive working capital operations as marked by high GCA days of 227 in FY 2018. The company maintains unencumbered cash and bank balances of Rs.0.21 crore as on March 31, 2018. The current ratio stood at 1.06 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of low profitability and high dependence on timely receipts from its customers.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	82.11	53.30	58.50
PAT	Rs. Cr.	0.41	0.20	0.20
PAT Margin	(%)	0.50	0.38	0.34
Total Debt/Tangible Net Worth	Times	0.06	0.02	0.24
PBDIT/Interest	Times	2.09	1.96	1.73

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Mar-2019	Proposed Bank Facility	Short Term	9.00	ACUITE A4
	Bills Discounting	Short Term	4.00	ACUITE A4
	Letter of credit	Short Term	12.00	ACUITE A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE D (Downgraded from ACUITE A4)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE D (Downgraded from ACUITE A4)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE D (Downgraded from ACUITE A4)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Priyanka Rathi Analyst - Rating Operations Tel: 033-66201210 priyanka.rathi@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile ACUITE Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.