

## Press Release

### Tristar Intercontinental Private Limited



January 17, 2020

#### Rating Downgraded

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

\* Refer Annexure for details

#### Rating Rationale

Acuité 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

Acuité 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. Acuité 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)

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**About Acuité Ratings & Research:**

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