Triton International Private Limited

March 02, 2021

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long Term Bank Facilities- Fund Based	25.00	CARE BBB+; Positive (Triple B Plus; Outlook: Positive)	Reaffirmed; Outlook revised from Stable
Short Term Bank Facilities- Non-Fund Based	30.00	CARE A2 (A Two)	Reaffirmed
Total	**55.00 (Rs. Fifty Five Crore only)**		

Details of instruments/facilities in Anneuxre-1

Outlook:

The revision in outlook assigned to long term bank facilities of TIPL from 'Stable' to 'Positive' factors in improvement expected in company's operating performance backed by strong geographical presence and long-standing relationship with reputed clientele and suppliers over medium term. The working capital management is also expected to improve over medium term based on improvement in debtor's realization. The outlook may be revised to 'Stable', in case of lower than envisaged operational performance over medium term and if working capital utilization continues to remain high.

Detailed Rationale

The ratings continue to derive strength from comfortable capital structure of the company, as plough back of profits to its reserves continue to increase tangible net worth. There has been a steady growth in total operating income owing to increase in exports to Middle East and Africa region. Considering the trading nature of business, the company's profitability margins are also healthy owing to strong presence in export market wherein margins are higher. The ratings continue to factor in vast experience of promoters in the paper industry, portfolio of products catering to diverse industry segments, established relationship with both customers and suppliers, prudent business risk management practices followed by the Triton Group (Triton Group refers to the consolidated business profile of Triton International Private Limited and Triton Global FZE).

The above rating strengths continue to be tempered by working capital intensive nature of operations resulting in high working capital utilization, susceptibility of profit margins to volatile paper prices and foreign exchange fluctuations as well as intense competition prevailing in the industry.

Key rating sensitivities:

Positive factors:

- Improvement in scale of operations with improvement in PBILDT margins in the range of 5-6% on a sustained basis.
- Adequate liquidity cushion marked by lower working capital utilization

Negative factors:

- Increase in overall gearing above unity on a sustained basis.
- Decrease in PBILDT margins below 4%, resulting in lower cash accruals.

Detailed description of the key rating drivers

Key Rating Strengths

Vast experience of promoters and management team

Triton Group is engaged in trading of paper products and Mr. Vishal Sukhani, the promoter, has more than two decades of experience in the paper industry. Furthermore, the promoter is supported by a team of qualified and experienced second-tier management, which has been associated with the Group since inception.

Diversified product portfolio having multiple applications and catering to wider market

TIPL, along with its subsidiary in Dubai, is engaged into trading of paper and paper products and caters to multiple industries such as Education, Packaging and Printing, Stationery, Specialty, Hygiene and Sanitation. The Group is well placed in international markets such as UAE, African nations, Sri Lanka, Middle East, Sweden and Germany alongside growing domestic presence. Moreover, healthy demand growth of paper products, driven by ban on plastic usage in several states in India, rising literacy and continued government spending on education, is likely to strengthen the industry's pricing power, thereby increasing revenue prospects for the Group from within India.

Established relationship with diversified customers and suppliers

Triton group continues to have strong association with customers operating in diverse segments and are geographically well spread. Majority of its sales are to countries such as India, UAE, Africa, Sweden, Sri Lanka and Middle East. Furthermore, the group continues to have established relationship with reputed suppliers of traded paper facilitating competitive rates and

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

preferred delivery of goods. Top 10 customers and suppliers constituted around 30-40% of total sales and purchases in FY20 respectively; thereby exhibiting low customer and supplier concentration risk.

Prudent business risk management practices

The group has prudent business practices as it purchases goods majorly on order basis, maintains lower inventory levels and sells goods on credit with around 50% LC backed which also mitigates the counterparty risk to an extent. The company also follows a policy of discounting the LC bills having tenor greater than 30 days. This helps the company to manage its working capital cycle efficiently.

Growth in revenues coupled with steady profit margins

Triton Group is engaged into trading of paper and paper products and caters to multiple industries such as Education, Packaging and Printing, Stationery, Food and Beverages, Hygiene and Sanitation. Furthermore, majority of its sales are to countries such as India, UAE, Africa, Sweden, Sri Lanka and Middle East. Triton Group's scale of operations on a consolidated basis improved by 26.50% in FY20 compared to previous year to Rs.790.86 crore. Improvement in scale of operations is mainly because of increase in exports. The revenue from exports increased by 50% in FY20 to Rs.751 crores (PY: Rs.500 crore). The company witnessed increase in export orders from Middle East. Moreover, revenue from operations also increased due to increase in sales volume from existing and new clients. PBILDT and PAT margins, although declined, also stood healthy at 4.75% and 2.95% respectively. Decrease in profitability margins in FY20 is mainly due to lower sales offtake in Q4 in wake of COVID-19 outbreak across globe.

The company recorded revenue of Rs.140 crore on a consolidated basis in H1FY21 (H1FY20: Rs.426.53 crore). From Q3FY21 onwards, company has witnessed improvement in demand. The company has recorded Rs.320 crore revenue in 9MFY21. The company's operating performance is expected to improve in FY22 in view of increase in exports from Africa and Middle East region.

Comfortable financial risk profile albeit high working capital utilisation

Triton Group's gearing levels have remained adequate mainly due to healthy net-worth base with its policy to retain majority profits in the business as well as low reliance on long term external debt. Overall gearing (including acceptances) on consolidated basis stood comfortable at 0.38 times as on March 31, 2020. The company availed short term unsecured loan from related parties amounting Rs.8.09 crore (of which Rs.7 crore is repaid till February, 2021 and balance would be repaid by March, 2021) which was availed to fund working capital requirements. The company experienced slight stress in working capital management in H1FY21 which was funded through short term unsecured loans infused by promoters. The company's working capital utilization for past 12 months ending December, 2020 stood high at 95%. TIPL's interest coverage (i.e. PBILDT/Interest) and Total debt to gross cash accruals stood adequate at 3.62 times and 2.07 times respectively in FY20.

Moreover, in September 2020, the company received Rs.2.5 crores funds from its bankers as COVID relief measures announced by RBI. The said loan is for the period of 5 years and has moratorium of 6 months. The repayments will start from April, 2021.

Key Rating Weaknesses

Cyclical and competitive nature of business

The pulp, paper and wood product industries are highly cyclical. Historically, economic and market shifts, fluctuations in capacity and changes in foreign currency exchange rates have created cyclical changes in prices, sales volume and margins for the paper products. The length and magnitude of industry cycles have varied over time and by product, but generally reflect changes in macroeconomic conditions and levels of industry capacity. Most of the paper products are commodities that are widely available from other producers facing strict competition. Even the Group's non-commodity products such as value-added papers, are susceptible to commodity dynamics. Because commodity products have few distinguishing qualities from producer to producer, competition for these products is based primarily on price, which is determined by supply relative to demand.

Foreign exchange fluctuation risk

The group has significant foreign dealings as more than 90% of its revenue comes from exports and imports account for 70% of total purchases. The group therefore is a net exporter that acts as a natural hedge to mitigate the associated foreign exchange risk.

The company does not use any active hedging practices for foreign exchange risk and hence is susceptible to forex fluctuation. The Group reported forex gain of Rs.1.99 crore during FY20 (vis-à-vis Rs.0.13 crore during FY19).

Analytical Approach: CARE has analyzed TIPL's credit profile by considering the consolidated financial statements of TIPL and Triton Global FZE (TG, wholly owned subsidiary of TIPL) owing to financial linkages between the parent and subsidiary, common management, and fungible cash flows.

Applicable Criteria

[Criteria on assigning Outlook and Credit Watch to Credit Ratings]

[CARE's Policy on Default Recognition]

[Rating Methodology - Wholesale Trading](#)
[Financial ratios – Non-Financial Sector](#)
[Criteria for Short Term Instruments](#)
[Rating Methodology- Consolidation and Factoring Linkages in Ratings](#)
[Liquidity Analysis of Non-financial Sector Entities](#)

Liquidity analysis: Adequate
The liquidity position is adequate marked by moderately comfortable current ratio and quick ratio. Group's working capital limit was utilized at around 95% over the past 12 months ended January 2021. The company does not have any major term debt as on December 31, 2020 and does not plan to avail any over medium term. The cash accruals in FY21 are enough to repay short term loan amounting Rs.8.09 crore. The company has repaid Rs. 7 crores till January, 2021 and balance would be repaid by March, 2021. Moreover, the company's cash and cash equivalents stood at Rs.5.72 crore as on December 31, 2020.

About the company
Triton International Private Limited (TIPL), operational since February 2012, is engaged in the trading of paper and paper products. TIPL has a wholly-owned subsidiary; Triton Global FZE (TG, based in Dubai) engaged in the same line of business. The company procures paper and paper products from paper mills based in India, UAE, Indonesia, US and Germany; and subsequently sells the same to the clients located in Europe, UAE, Kenya, Ghana, Sri Lanka and India. TIPL caters to the need of clients operating in various paper segments namely education, hygiene, packaging, printing and publishing.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	625.77	790.86
PBILDT	34.87	37.57
PAT	20.95	23.32
Overall gearing (times)	0.36	0.38
Interest coverage (times)	3.41	3.62

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	25.00	CARE BBB+; Positive
Non-fund-based - ST-BG/LC	-	-	-	30.00	CARE A2

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	25.00	CARE BBB+; Positive	-	1)CARE BBB+; Stable (16-Mar-20)	1)CARE BBB+; Stable (06-Mar-19) 2)CARE BBB; Stable (07-Apr-18)	-
2.	Non-fund-based - ST-BG/LC	ST	30.00	CARE A2	-	1)CARE A2 (16-Mar-20)	1)CARE A2 (06-Mar-19) 2)CARE BBB; Stable (07-Apr-18)	-

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
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