Trineas Commerce Private limited

February 23, 2021

Ratings

Facilities*	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term/Short Term Bank Facilities	18.00	**CARE BB; Stable/ CARE A4 (Double B; Outlook: Stable/ A Four)**	**Assigned**
Long Term/Short Term Bank Facilities	0.00	-	**Withdrawn**
Total	**18.00 (Rs. Eighteen Crore only)**		

**Details of facilities in Annexure-1; for classification of instruments/facilities please refer to Annexure-3*

Unsupported Rating *As stipulated vide SEBI circular dated June 13, 2019*
Withdrawn [Withdrawn]

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Trineas Commerce Private limited (TCPL) is constrained by small scale of operation, low profitability margins due to trading nature of business and moderate financial risk profile.

The ratings however derive strength from experienced promoter with long track record of operations, strong market presence of the principal in the telecom sector and satisfactory financial performance in FY20 (refer to the period from April 01 to March 31).

Rating Sensitivities

Positive Sensitivity:

- *The ability of the company to improve its scale of operation above Rs.200 crore and operational profitability beyond 2.0% on a sustained basis*
- *Ability to sustain its relationship with the principal counterpart*

Negative Sensitivity:

- *Any un-envisaged debt funded capital expenditure deteriorating its capital structure and debt coverage indicators from current levels*
- *Continuance of risk associated to brand/ product concentration*
- *Substantial moderation in the financial performance of the company on a sustained basis*

Detailed description of the key rating drivers

Key Rating Weaknesses

Small size of operation

TCPL is a relatively small player having Total Operating Income of Rs.102.18 in FY20 and net-worth of Rs.2.56 crore in FY20. The small size deprives it the benefits of economies of scale and restricts the financial flexibility of the company in times of stress.

Low profitability margins due to trading nature of business

Given the trading nature of business along with intense competition, the firm operates at a low margin. The overall operating margin of the entity remains low at around 1.07% in FY20 as against 1.57% in FY19. Low entry level barriers for distributorship keep the competition intense and the industry remains fragmented in nature.

Moderate financial risk profile

The company doesn't have any long-term debt except for unsecured loan from the group entities to the tune of Rs.5.55 crore as on March 31, 2020.

The overall gearing and TDGCA stood at 2.17x as on March 31, 2020 (P.Y.: 2.69x) and 17.47x in FY20 (P.Y.: 17.17x), respectively.

Key Rating strengths

Experienced promoter with long track record of operations

Transways group has been promoted by Mr. Sunil Agarwal and Mr. Shekhar Agarwal (brothers) along with their friend Mr. Anup Killa, hailed from Kolkata, West Bengal. The promoters have an experience of about one and half decades and are engaged in manufacturing of country liquor, bottling of IMFL, distribution of mobile handsets in West Bengal through various companies.

Established market presence of the principal in the telecom sector

TCPL derives around 95% of its revenue from distributorship of its reputed principal (***Reliance Jio Infocomm Limited***) which currently has strong brand recognition and market share in the Telecommunication sector business. The principal

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

tops the telecom sector with 35.01% share of total subscribers in the sector (as on Sep.30, 2021). TCPL is a registered Zonal distributor of the Reliance Jio Infocomm Limited for JIO 4G smartphones and accessories in the vicinity of Central Kolkata, Alipore, Howrah, Hooghly, Naihati, Kasba, Barasat, Chandannagar and Kamalgachi.

Satisfactory financial performance in FY20

The total operating income of the TCPL increased from Rs.69.36crore in FY19 to Rs.102.18 crore in FY20. However, PBILDT levels in FY20 remained almost in line with FY19 at Rs.1.09 crore mainly due to change in sales mix of the products/services. Share of sale of higher margin products like handsets and accessories in the overall turnover decreased in FY20. Further, PAT declined to Rs.0.15 crore in FY20 from to Rs.0.26 crore in FY19 owing to increase in capital charges (i.e. finance cost and depreciation). The interest coverage ratio slightly moderated to 1.43x as on March 31, 2020 from 1.69x as on March 31, 2019 owing to increase in interest cost. The company reported GCA of Rs.0.32 crore in FY20 (GCA of Rs.0.38 crore in FY19) as against nil term debt repayment obligation.

Liquidity Position: Adequate

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis nil repayment obligations as the company has no long-term debt from banks/FIs and moderate cash balance of Rs.1.01 crore in FY20, supported by above unity current ratio. Further, in FY20, the operating cycle of the company improved to 9 days (P.Y.: 19 days) on the back of improvement in debtors' days and efficient inventory management.

The company had availed the deferment on interest payment on Cash Credit limits under RBI's Covid-19 regulatory package.

Industry Outlook

The telecom industry's prime focus now is to improve the current ARPU levels which will be backed by increased use of online applications and new norms of 'work from home' and 'higher use of digital platforms' on account of Covid-19 which will support the industry ARPU. The industry, however, continues to face challenges in terms of certain levies (license fee and SUC), intense competition and AGR issue, higher spectrum prices (primarily for 5G technology) and apprehensions of non-procurement of telecom equipments from China for private telcos. These challenges are also believed to have hurt the FDI equity inflows in the sector during H1FY21 in addition to Covid-19 induced weak international economic and investment environment.

Analytical approach: Standalone

CARE has changed the analytical approach to Standalone in the absence of legal clarity with respect to the validity of the Corporate Guarantee extended by erstwhile Guarantor i.e. Essencia Beverages Private Limited post its merger with its group entity viz. Trainways Exim Private Limited.

However, at the time of last rating, CARE, while arriving at the ratings of Trineas Commerce Private Limited took into consideration the credit enhancement in the form of Corporate Guarantee extended by Essencia Beverages Private Limited.

Applicable Criteria

Criteria on assigning 'Outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Liquidity analysis of non-financial sector
Criteria for short term instruments
Complexity Level of Rated Instruments
Rating Methodology-Wholesale Trading
Policy on Withdrawal of ratings

About the Company:

Trineas Commerce Private Limited (TCPL) was incorporated in 1997 by Mr. Ram Autar Killa and Mr. Amar Agarwalla. TCPL is engaged as zonal distributor (channel distribution agent) of Reliance JIO 4G Smartphones and accessories in the vicinity of Central Kolkata, Alipore, Howrah, Hooghly, Naihati, Kasba, Barasat, Chandannagar and Kamalgachi.

TCPL is a part of Kolkata based Transways group having business interest in the liquor manufacturing and distribution.

Brief Financials (Rs. crore)	FY19 (Audited)	FY20 (Audited)
Total operating income	69.36	102.18
PBILDT	1.09	1.09
PAT	0.26	0.15
Overall gearing (times)	2.69	2.17
Interest coverage (times)	1.69	1.43

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	0.00	Withdrawn
Un Supported Rating-Un Supported Rating (LT/ST)	-	-	-	0.00	Withdrawn
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	18.00	CARE BB; Stable / CARE A4

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.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	-	-	-	1)CARE BBB- (CE); Stable / CARE A3 (CE) (26-Mar-20)	1)CARE BBB- (SO); Stable (03-Jan-19)	1)CARE BBB- (SO); Stable (15-Mar-18) 2)CARE BBB- (SO); Stable (09-Aug-17)
2.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	1)Withdrawn (26-Mar-20)	1)CARE A3 (SO) (03-Jan-19)	1)CARE A3 (SO) (15-Mar-18) 2)CARE A3 (SO) (09-Aug-17)
3.	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST	-	-	-	1)CARE BB / CARE A4 (26-Mar-20)	-	-
4.	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	18.00	CARE BB; Stable / CARE A4	-	-	-	-

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

Sr. No.	Name of the Instrument	Complexity Level
1.	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
2.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
3.	Un Supported Rating-Un Supported Rating (LT/ST)	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:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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