

May 15, 2017

Polestar Traders Private Limited

Summary of rated instruments

Instrument [^]	Rated Amount (Rs. crore)	Rating Action*
Fund Based Limits	08.00	[ICRA]D; Revised from [ICRA]B-
Non Fund Based Limit	01.50	[ICRA]D; Revised from [ICRA]A4
Total	09.50	

[^]Instrument Details are provided in Annexure-1

* Issuer did not cooperate; based on best available information.

Rating Action

ICRA has revised the long term rating assigned to the Rs. 08.00 crore¹ long-term fund based bank facility of Polestar Traders Private Limited (PTPL or ‘the company’²) to [ICRA]D (pronounced as ICRA D) from [ICRA]B-(pronounced as ICRA B minus). ICRA has also revised the short-term rating assigned to the Rs. 01.50 crore non-fund based limit of Rs. 01.50 crore to [ICRA]D from [ICRA]A4 (pronounced as ICRA A four).

Rationale

The rating downgrade factors in the delays in debt servicing by the company on its bank facilities. As part of its process and in accordance with its rating agreement with Polestar Traders Private Limited, ICRA had sent repeated reminders to the company for payment of surveillance fee that became overdue; however despite multiple requests; the company’s management has remained non-cooperative. ICRA’s Rating Committee has taken a rating view based on best available information. In line with SEBI’s Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, the company’s rating is now denoted as: “[ICRA] D ISSUER NOT COOPERATING”. The lenders, investors and other market participants may exercise appropriate caution while using this rating, given that it is based on limited or no updated information on the company’s performance

Key rating drivers

Credit strengths

- Long experience of the management in the business of steel trading

Credit weaknesses

- Recent delays in debt servicing by the company on its bank facilities
- Susceptibility of margins to volatility in steel prices
- Industry characterized by severe competition from players in the unorganized as well as organized sector

¹ 100 Lakh = 1 Crore = 10 Million

² For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications

Description of key rating drivers:

The company is engaged in trading of various types of ferrous and non ferrous metals. However, it predominantly deals in trading of various types of stainless steel like pipes, plates, sheets, wire rods etc. The company derives majority of its revenues from trading of stainless steel pipes.

The operating profit margins of the company have remained low during the past due to low value additive nature of work performed by the company and high competitive intensity. PTPL maintains freehold inventory of about 2-3 months which are not backed by orders. This exposes the company to significant risks arising out of fluctuations in metal prices, given the cyclicity inherent in steel prices.

Analytical approach:

Not applicable

Links to applicable Criteria:

Corporate Credit Rating – A Note on Methodology

About the company:

Polestar Traders Private Limited was incorporated in March 2013 by Mr. Umesh Vrajlal Damania and Mr. Manish Babel. The company started operations by taking over the asset and liabilities of M/s Polestar Industries, a proprietorship concern established by Mr. Umesh Vrajlal Damania. The company is engaged in trading of various ferrous and non ferrous metals. It predominantly deals in trading of various types of stainless steel like pipes, plates, sheets, wire rods etc. The company has its registered office in Mumbai and warehouse in Navi Mumbai.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years:

Table:

S.No	Name of Instrument	Current Rating (2017)		Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. crore)	Date & Rating	Date & Rating in FY2016	Date & Rating in FY2017	Date & Rating in FY2015
				May 2017	November 2015	-	-
1	Cash Credit	Long-term	08.00	[ICRA]D	[ICRA]B-	-	-
2	Letter of Credit	Short-term	01.50	[ICRA]D	[ICRA]A4		

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Name of the instrument	Date of issuance/ sanction	Coupon rate	Maturity	Amount rated (Rs. crore)	Current Rating and Outlook
Cash Credit	-	-	-	8.00	[ICRA]D
Letter of Credit	-	-	-	1.50	[ICRA]D

Source: Polestar Traders Private Limited

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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