



## Press Release

### Tirupati Starch and Chemicals Limited

December 02, 2021

#### Rating Assigned and Reaffirmed

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Loan Ratings</b>	40.00	40.00	ACUITE BBB-   Stable   Assigned	
<b>Bank Loan Ratings</b>	10.00	10.00	ACUITE BBB-   Stable   Reaffirmed	
<b>Total</b>	-	50.00	-	-

\*Refer annexure for details

#### Rating Rationale

Acuite has reaffirmed and assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 50.00 crore bank facilities of Tirupati Starch and Chemicals Limited (TSCL). The outlook is '**Stable**'.

#### Rationale for Rating Reaffirmation

The rating reaffirmation considers the comfort drawn on long track record of operations, extensive experience of the promoters and stable business risk profile. Coupled to that, the company has moderate financial risk profile, adequate liquidity with low bank limit utilisation.

#### About the Company

Indore based, Tirupati Starch and Chemicals Limited (TSCL) is engaged in the manufacturing of various products such as maize starch, maize gluten, dextrose monohydrates (edible), poultry feed etc. TSCL was incorporated in 1985 by Late Mr. Damodar Modi, Mr. Ramdas Goyal and Mr. Prakash Chandra Bafna.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of Tirupati Starch and Chemicals Limited to arrive at this rating.

#### Key Rating Drivers

#### Strengths

- **Established track record of operations and experienced management**

TSCL was incorporated in 1985 by late Mr. Damodar Modi, Mr. Ramdas Goyal and Mr. Prakash Chandra Bafna. Mr. Ramdas Goyal holds an overall experience of around four decades in the business of Maize Starch, dextrose and other chemicals. Mr. Prakash Chandra Bafna holds an overall experience of around three decades in manufacturing and trading of chemicals and he also takes care of procurement of raw material and other purchases. The promoters are supported by Mr. Amit Modi and Mr. Yogesh Kumar Agarwal, both of whom

hold extensive experience of more than two decades in the business. Extensive experience of the management has helped TSCL establish healthy relationships with customers and suppliers in the industry over the years.

Acuité believes that TSCL will be able to sustain its business risk profile on the back of its

- **Moderate financial risk profile**

The financial risk profile of TSCL is moderate marked by moderate net worth and debt protection measures and gearing. The net worth stood at Rs. 36.28 crore as on 31 March, 2021 as against Rs. 33.42 crore as on 31 March, 2020. The net worth is inclusive of Rs. 8.51 crore unsecured loans by the promoters to support the incremental working capital requirements. TSCL has a moderate financial risk profile as reflected by gearing of 1.27 times as on 31 March, 2021 as compared to 0.31 times as on March 31, 2020. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.67 times as on 31 March, 2021 as against 3.19 times as on 31 March, 2020. Interest Coverage Ratio (ICR) stood comfortable at 2.99 times in FY2021 and 3.71 times in FY20. Debt Service Coverage Ratio (DSCR) has improved to 2.24 times for FY2021 from 2.07 times in FY2020. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.13 times as on 31 March, 2021 as against 0.57 times as on 31 March, 2020.

Acuité believes that the financial risk profile of TSCL will continue to remain moderate over the medium term on account of its moderate financial risk profile.

## **Weaknesses**

- **Moderately working capital intensive operations**

The working capital management of TSCL is moderate marked by Gross Current asset days of 85 in FY2021 as against 86 days in FY2020. This inventory holding period stood at 29 days in FY2021 as compared to 40 days in FY2020. The payables period has decreased to 86 days in FY2021 as compared to 149 days in FY2020. The receivables period stood at 45 days in FY2021 as compared to 37 days in FY2020. The average bank limit utilization stood at ~35 percent for the last six months ended October 2021.

Acuité believes that the ability of TSCL to maintain and improve its working capital management will be a factor of key rating sensitivity.

- **Competitive nature of industry and high dependence on environmental conditions**

Starch industry in India is highly fragmented, marked by presence of a variety of organized and unorganized manufacturers offering different types and derivatives of starch thereby limiting TSCL's pricing power. Further, TSCL uses maize as the raw material for almost all of its products and the prices of maize are susceptible to volatility due to factors such as weather conditions, revision in minimum support price of maize by the government and demand and supply scenario in the agricultural markets. The prices for maize had increased abnormally during the past one year. Thus, increase in raw material prices and the competitive nature of the industry affects profitability of the company.

## **Liquidity Position: Adequate**

Acuité believes that TSCL will maintain adequate liquidity profile on account of average bank utilization of ~35 percent and moderately working capital-intensive nature of business. TSCL's net cash accruals stand in the range of Rs. 9.00 crore to Rs. 11.00 crore for period from FY2022-2023 as against the repayment in the range of Rs 2.00 to Rs 3.00 crore for the same period.

## Rating Sensitivities

- >Significant improvement in operating performance.
- >Deterioration in working capital cycle.

## Material covenants

### Outlook: Stable

Acuité believes that TSCL will maintain a 'Stable' outlook over the medium term on the back of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if TSCL shows improvement in its working capital cycle and maintains growth in turnover. The outlook may be revised to 'Negative' if TSCL experiences lower than expected revenue growth or deterioration in financial risk profile or stretch in its liquidity.

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	199.96	271.99
PAT	Rs. Cr.	1.03	1.15
PAT Margin	(%)	0.51	0.42
Total Debt/Tangible Net Worth	Times	1.27	0.31
PBDIT/Interest	Times	2.99	3.71

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Sep 2020	Term Loan	Long Term	2.00	ACUITE BBB- (Withdrawn)
	Proposed Bank Facility	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (Reaffirmed)
05 Jul 2019	Term Loan	Long Term	2.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.00	8.00	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.00	2.00	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.00	40.00	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

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