

## Press Release

### Tirupati Starch and Chemicals Limited

October 06, 2022



### Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	50.00	ACUITE BBB   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

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

#### Rationale for Rating Upgrade

The rating upgrade 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

##### Experienced Management

Tirupati Starch and Chemicals Limited (TSCL) was established in 1985 by 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.

### **Revenue and profitability**

TSCL reported operating income of Rs. 319.77 Cr in FY2022 as against Rs. 199.96 Cr in FY2021 on the back of recovery in demand post Covid interruptions. EBITDA margin improved and stood at 6.58 % in FY22 in comparison to 4.60% in FY21. Further, Net Profit margin improved by 5 times and stood at 2.58% in FY2022 as against 0.51% in FY 2021.

TSCL has achieved Operating income of Rs. ~162 Cr. during first five months of FY 23 and company is expecting total operating income of Rs~360 crore in FY 23. Company has order in hand of Rs~ 35.27 Crores as on date.

### **Financial Risk Profile**

TSCL has above average financial risk profile marked by Moderate net worth and good debt protection metrics. TSCL's net worth improved on account of fund infused by directors in form of unsecured loans, profit accretions and stood at Rs. 52.95 Cr as on 31st March 2022 as against Rs. 36.28 Cr as on 31st March 2021 (Audited). Company has comfortable financial position, Gearing levels (debt-to-equity) stood at 1.13 times as on March 31, 2022 as against 1.27 in FY 2021. Improvement in Gearing Ratio in FY 22 is on account of additional funds infused by promoters in form of unsecured loans and profit accretions. The debt profile of the firm majorly comprises of long term borrowings, followed by working capital loan. The term loan further comprises corporate loan and COVID GECL loan.

Further, the interest coverage ratio stood strong at 3.61 times for FY2022 as against 2.99 times in FY2021. Debt Service coverage ratio stood strong at 2.80 times for FY2022 as against 2.24 times in FY2021. Total outside liabilities to total net worth (TOL/TNW) stood at 1.98 times as on FY2022 vis-à-vis 2.67 times as on FY2021. However, Debt-EBITA stood at 2.83 times as on 31st March 2022 as against 4.96 times as on 31st March 2021.

### **Weaknesses**

#### **Working capital operations**

Company has Moderate working capital requirements as evident from gross current assets (GCA) of 83 days in FY2022 as compared to 85 days in FY2021. Debtor days improved to 35 days in FY2022 as against 45 days in FY2021. Inventory days have increased to 40 days in FY2022 as against 29 days in FY2021. The working capital limits are utilized at ~35 per cent during the last Six months ended August 22. Further, the current ratio of TSCL stood at 1.40 times as on March 31, 2022.

#### **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.

#### **Rating Sensitivities**

Significant improvement in operating performance.  
Improvement in working capital cycle.

#### **Material covenants**

None

#### **Liquidity Position** **Strong**

TSCL has Strong liquidity marked by adequate net cash accruals to its maturing debt obligations. Firm generated cash accruals of Rs. 14.11 crore for FY2022 as against obligations of Rs. 1.28 crores for the same period. Current Ratio stood at 1.40 times as on 31 March 2022 as against 1.01 times in the previous year. Bank Limit utilization in last six months was ~35% providing additional cushion to company to meet contingencies. Therefore, firm has Strong liquidity to meet its requirements.

### 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.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	319.77	199.96
PAT	Rs. Cr.	8.26	1.03
PAT Margin	(%)	2.58	0.51
Total Debt/Tangible Net Worth	Times	1.13	1.27
PBDIT/Interest	Times	3.61	2.99

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

None

### 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
02 Dec 2021	Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	40.00	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)
14 Sep 2020	Proposed Bank Facility	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- (Withdrawn)
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	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB   Stable   Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB   Stable   Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	12.60	ACUITE BBB   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	25.40	ACUITE BBB   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB   Stable   Upgraded
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	39.00	ACUITE BBB   Stable   Upgraded

Proposed Long term Bank Facility includes credit exposure limit of Rs 1 Crore

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### About Acuité Ratings & Research

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