

**November 17, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	12.25	SMERA B/Stable (Assigned)
Term Loan	0.75	SMERA B/Stable (Assigned)

SMERA has assigned ratings of '**SMERA B' (read as SMERA single B)** to the Rs.13.00 crore bank facilities of Tirupati Oil Industries (TOI). The outlook is '**Stable**'. The rating derives comfort from the company's experienced management and favourable location of the company. However, the ratings are constrained by its modest scale of operations and weak financial risk profile. The rating also factors the uneven operating margins susceptible to seasonality associated with cotton industry.

Rating Sensitivity

- Scaling up of operations while improving profit margins
- Ability to sustain the raw material price volatility
- Efficient working capital management

Outlook: Stable

SMERA expects TOI to maintain its business risk profile backed by promoters' experience in the textile industry. The outlook may be revised to 'Positive' if the scale of operation of the firm improves with improvement in profit margins leading to better financial flexibility. Conversely, the outlook may be revised to 'Negative' if there is any adverse change in government policies regarding MSP and more than expected inventory days.

About the Company

Tirupati Oil Industries was established in 1996, owned and managed by Mr. Babubhai Patel and other family members. TOI is engaged in ginning, pressing and crushing operations. The firm's manufacturing facility is located in Kadi, District Mehsana. The firm has 75 ginning machines and 1 pressing machine having the capacity to produce 500 cotton bales per day. The firm is also equipped with 10 expellers having the capacity to produce 900 tons of cottonseed oil per annum. TOI generates additional revenue from sale of Cotton Seed Oil, Cotton Seed Oil Cake.

For FY2014-15, TOI reported PAT of Rs. 0.07 crores on operating income of Rs. 63.55 crores as compared with PAT of Rs. 0.07 crores on operating income of Rs.84.49 crores for FY2013-14. The company's networth stood at Rs.7.88 crores as on March 31, 2015 as compared with Rs. 6.74 crores a year earlier.

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SMERA RATINGS LIMITED

Tirupati Oil Industries (TOI)

*Rating
Rationale*

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