

## Press Release

### Tirupati Oil Industries

August 22, 2017



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 13.00 Cr.
<b>Long Term Rating</b>	SMERA B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 13.00 crore bank facilities of Tirupati Oil Industries. The outlook is '**Stable**'.

Established in 1996, Tirupati Oil Industries (TOI) is engaged in the ginning and manufacturing of cotton seed oil at Kadi, Dist Mehsana. The firm has 42 ginning machines and a pressing machine with capacity of 350 cotton bales per day. Besides, it also has 10 expellers with capacity of 900 tons of cottonseed oil per annum. The firm, led by Mr. Babubhai Patel and family, generates additional revenue from sale of cotton seed oil and cakes.

### Key Rating Drivers

#### Strengths

- **Experienced management**

TOI was established in 1996 by Mr. Babubhai Patel, who possesses around two decades of experience in a similar line of business.

- **Healthy financial risk profile**

The firm has healthy financial risk profile marked by gearing of 0.24 times as on 31 March, 2017 (Provisional) compared to 0.46 times as on 31 March, 2016. The ICR stood at 4.63 times in FY2017 (Provisional) compared to 2.10 times in FY2016. The net worth stood at Rs.13.02 crore as on 31 March, 2017 (Provisional) compared to Rs.6.73 crore in the previous year.

#### Weaknesses

- **Average financial risk profile**

The average financial risk profile is marked by average networth of Rs.15.40 crore as on 31 March, 2017 (Provisional) compared to Rs.9.39 crore in the previous year. The debt-to-equity ratio of the firm stood at 0.80 times as on 31 March, 2017 (Provisional) compared to 1.37 times as on 31 March, 2016. The ICR stood at 1.14 times for FY2016-17 as against 1.12 times for FY2014-15. The RoCE stood low at 6.51 percent in FY2016-17 compared to 8.13 percent in FY2015-16.

- **Susceptibility of margins to volatility in raw material prices**

Prices of raw cotton are fixed by the government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which restricts bargaining power with suppliers as well. Any adverse movement of cotton prices further impacts profitability.

#### Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Tirupati Oil Industries for arriving at the rating.

#### Outlook: Stable

SMERA expects TOI to maintain a stable outlook in the medium term owing to the promoters experience in the textile industry. The outlook may be revised to 'Positive' if the scale of operations improves with improvement in profit margins leading to better financial flexibility. Conversely, the outlook may be revised to 'Negative' in case of unfavourable changes in policies affecting margins.

#### About the Rated Entity - Key Financials

For FY2016-17 (Provisional), TOI reported net profit of Rs. 0.09 crore on operating income of Rs.21.01 crore as against net profit of Rs.0.06 crore on operating income of Rs.28.59 crore in the previous year. The net worth stood at Rs.15.40 crore as on 31 March, 2017 (Provisional) as against Rs. 9.39 crore in the previous year.

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

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

#### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

#### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Nov-2015	Cash Credit	Long Term	INR 12.25	SMERA B / Stable
	Term Loan	Long Term	INR 0.75	SMERA B / Stable

#### \*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.25	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.74	SMERA B / Stable

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