



**Press Release**  
**TIRUPATI STARCH AND CHEMICALS LIMITED**  
**January 03, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	100.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.100.00 crore bank facilities of Tirupati Starch And Chemicals Limited. The outlook is 'Stable'.

**Reason for reaffirmation**

The rating reaffirmation takes into account the experienced management and long track record of operations of the company. The company witnessed and improvement in the operating income albeit marginal decline in the margins. The revenue of the company stood at Rs.364.69 crore in FY2023 as against the revenue of Rs.319.77 crore in FY2022. The operating margins stood at 5.89 percent in FY2023 as against 6.58 percent in FY2022. The company's business risk profile declined in H1FY24 with revenues at Rs.136.84 crore, operating margins at 5.87 percent and PAT margin at 0.43 percent. The company has undertaken a capital expenditure to add a new product ie liquid glucose in the product portfolio which required an increase in the existing starch capacity. The decline in the business risk profile of the company in H1FY24 was due to the partial utilization of the existing starch capacity in order to complete the capacity expansion. Though this is likely to lead to moderation in the operations of the company in FY24, the company is likely to witness an improvement in the revenues in FY25 due to the addition of the liquid glucose in their portfolio.

The ability of the company to be able to successfully penetrate the new product in the market will be a key monitorable in medium term.

**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. Tirupati Starch and Chemicals Limited was incorporated in 1985 by Late Mr. Damodar Modi, Mr. Ramdas Goyal and Mr. Prakash Chandra Bafna.

**Unsupported Rating**

None

**Analytical Approach**

Acuite has taken a standalone view of business and financial risk profile of TSPL to arrive at the rating.

# Key Rating Drivers

## Strengths

### Experienced Management

Tirupati Starch and Chemicals Limited (TSCL) was established 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.

### Improved Working capital management

The company's working capital operations have improved as evident from the GCA days of 62 days as on March 31, 2023 as against GCA days of 83 days as on March 31, 2022. The inventory days stood at 15 days for FY23 as against 40 days for FY22. Average inventory holding period is around 15-30 days. The debtors' days stood at 33 days for FY23 as against 35 days for FY22. The average credit period allowed to the customers is around 45 days. The creditors days stood at 29 days for FY23 against 57 days for FY22. The average credit period received from the supplier is around 15 days. The average utilization of the bank limits are low at around 39 percent for six months ending October '2023. Acuite believes that the ability of the company to maintain the working capital efficient operations will remain key monitorable in medium term.

### Moderate financial risk profile, albeit susceptibility to completion of ongoing capex on time

The tangible net worth of the company stood at Rs.65.55 crore as on March 31, 2023, as against Rs.52.10 crore as on March 31, 2022. The networth also includes quasi equity of Rs.19.53 crore in FY23. The increase in the net worth is due to accretion of profits to reserves and equity infusion by the company in FY23. The gearing of the company stood at 1.07 times as on March 31, 2023, as against 1.16 times as on March 31, 2022. The gearing of the company is likely to be in the range of 1.40-1.60 times in FY24 due to the debt addition in the period. The total debt of the company consists of long-term debt of Rs.44.02 crore and short-term debt of Rs.18.94 crore as on March 31, 2023. The interest coverage ratio stood at 2.59 times as on March 31, 2023, as against 3.61 times as on March 31, 2022. The DSCR stood at 1.97 times as on March 31, 2023, as against 2.80 times as on March 31, 2022.

The company has undertaken a capital expenditure for increasing the capacity of starch from 300 TPD to 450 TPD along with addition of the machinery for the liquid glucose product. The project is expected to be completed by February 2024. The total project cost is around Rs.60 crore. The company has added a loan of Rs.45 crore and brought in promoters contribution of ~Rs.12.22 crore in FY24 for the capex. Post the completion of capex, the company is expected to witness an improvement in the revenues in FY25 due to the addition of the liquid glucose in their portfolio. This is expected to aid the company improve its business risk profile and would be critical in maintenance of the financial risk profile at current levels. An delays in completion of the capex would adversely impact the liquidity profile of the company.

Acuite believes the company's ability to complete the ongoing capex on time and improve its scale of operations will be a key rating monitorable.

## Weaknesses

### 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 during the last year. Thus, increase in raw material prices and the competitive nature of the industry affects profitability of the company.

### **Rating Sensitivities**

Growth in revenue with improvement of the profitability margins.

Deterioration in the financial risk profile of the company.

Any stretch in the liquidity position.

Delays in completion of ongoing capex and subsequent improvement in scale of operations

### **All Covenants (Applicable only for CE & SO Rating)**

Not applicable

### **Liquidity position: Adequate**

The company has an adequate liquidity position marked by adequate net cash accruals against the maturing debt obligations. The company generated cash accruals of Rs.12.20 crore in FY23 as against maturing debt obligations of Rs. 2.10 crore over the same period. The company is estimated to generate cash accruals of Rs.9.96-15.82 crore over the period 2024-2025 against maturing debt obligations of Rs.6.53-14.60 crore over the same period. The company maintains unencumbered cash and bank balance of Rs.7.76 crore as on March 31, 2023. The current ratio stood at 1.18 times as on March 31, 2023. The ability of the company to improve the business risk profile in order to cater to the increase in the debt obligations in medium term will remain key rating sensitivity.

### **Outlook: Stable**

Acuité believes that TSCL will maintain a 'Stable' outlook over the medium term on the back of its experienced management and long track record of operations. The outlook may be revised to 'Positive' if TSCL shows improvement in its operations and margins. 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	364.69	319.77
PAT	Rs. Cr.	6.57	8.26
PAT Margin	(%)	1.80	2.58
Total Debt/Tangible Net Worth	Times	1.07	1.16
PBDIT/Interest	Times	2.59	3.61

### 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high level of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Oct 2022	Cash Credit	Long Term	8.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Bank Facility	Long Term	25.40	ACUITE BBB   Stable (Assigned)
	Proposed Bank Facility	Long Term	3.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	12.00	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	39.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Covid emergency line	Long Term	12.60	ACUITE BBB   Stable (Assigned)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	12.60	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	25.72	ACUITE BBB   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	26.68	ACUITE BBB   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Tanvi Kadam Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:tanvi.kadam@acuite.in">tanvi.kadam@acuite.in</a>	

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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