



Press Release
TIRUPATI STARCH AND CHEMICALS LIMITED
August 26, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	140.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	140.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of **'ACUITE BBB' (read as ACUITE triple B)** on the Rs.140.00 crore bank facilities of Tirupati Starch And Chemicals Limited. The outlook is **'Stable'**.

Rationale for Rating

The rating takes into account the experienced management and long track record of operations of the company. The company witnessed a decline in the operating income in FY2024 to Rs.306.11 Cr from Rs.364.69 Cr in FY2023. The decline in revenue in FY2024 is on account of capital expenditure being undertaken by the company to add a new product i.e liquid glucose in the product profile which required an increase in the existing starch capacity due to which the capacity utilisation remained subdued in order to complete the capacity expansion. However, the operating profit margin of the company improved and stood at 6.69% in FY2024 against 5.89% in FY2023.

Further, in Q1FY25, the company's operating income stood at Rs.86.23 Cr with a significant decline in operating profitability margin to 3.00% leading to losses at PBT levels. Further, as learned from management, the capex which was to be completed by February 2024 is still undergoing and is expected to be completed soon.

Acuite believes, that the extent of impact of delay in capex completion on the business and financial risk profile along with overall liquidity position remains a critical rating monitorable.

Further, the rating remains constrained on account of moderately intensive working capital nature of operations with GCA days of 112 days in FY 2024 and by susceptibility of its

profitability to fluctuations in raw material prices.

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

Not Applicable

Analytical Approach

Acuité 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.

Moderate financial risk profile

The tangible net worth of the company stood at Rs.73.00 crore as on March 31, 2024, as against Rs.65.55 crore as on March 31, 2023. The increase in the net worth is due to accretion of profits to reserves and equity infusion of Rs.1.50 Cr by the company in FY24 and consideration of Rs.19.53 Cr USL as quasi-equity. The gearing of the company stood at 1.84 times as on March 31, 2024, as against 1.07 times as on March 31, 2023. The interest coverage ratio stood at 2.07 times as on March 31, 2024, as against 2.59 times as on March 31, 2023. The DSCR stood at 1.20 times as on March 31, 2024, as against 1.97 times as on March 31, 2023. The moderation in debt coverage indicators is on account of increased interest cost as the company assumed higher debt during the year to fund working capital operations and ongoing capital expenditure. The capex is being undertaken for addition of liquid glucose in their portfolio.

Acuite believes the company's ability to complete the ongoing capex without further delays and improve its scale of operations and profitability while maintaining adequate liquidity position will be a key rating monitorable.

Weaknesses

Moderately Intensive Working Capital Operations

The company's working capital operations stood moderately intensive marked by GCA days of 112 days as on March 31, 2024 as against GCA days of 62 days as on March 31, 2023. The inventory days stood at 62 days for FY24 as against 15 days for FY23. Average inventory holding period is around 15-30 days. The debtors' days stood at 41 days for FY24 as against 33 days for FY23. The average credit period allowed to the customers is around 45 days. The creditors days stood at 13 days for FY24 against 29 days for FY23. The average credit period received from the supplier is around 15 days.

Acuite believes that the ability of the company to maintain the working capital efficient operations will remain key monitorable in medium term.

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 in subsequent quarters.
- Deterioration in the financial risk profile of the company.
- Further delay in completion of ongoing capex leading to deterioration in the liquidity position.

Liquidity Position Stretched

The company has a stretched liquidity position. The company generated sufficient net cash

accruals against maturing debt obligations in FY24. The net cash accruals stood at Rs.9.81 Cr in FY24 as against maturing debt obligations of Rs. 6.53 crore over the same period. However, the company's estimated cash accruals are likely to remain modest against repayment obligations, in case of further delay in completion of ongoing capex. The current ratio stood at 1.42 times as on March 31, 2024. Acuite believes timely completion of ongoing capex will be critical to augment company's business risk profile and improve the liquidity position.

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 records higher than expected improvement in scale of operations and profitability from Q2FY25 onwards, while maintaining financial risk profile and adequate liquidity position. The outlook may be revised to 'Negative' if TSCL experiences lower than expected revenue growth and improvement in profitability or deterioration in financial risk profile or stretch in its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	306.11	364.69
PAT	Rs. Cr.	2.07	6.57
PAT Margin	(%)	0.68	1.80
Total Debt/Tangible Net Worth	Times	1.84	1.07
PBDIT/Interest	Times	2.07	2.59

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>
- Manufacturing Entities: <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 levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Jan 2024	Term Loan	Long Term	26.68	ACUITE BBB Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	12.60	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	20.72	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	40.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
03 Jan 2024	Covid Emergency Line.	Long Term	12.60	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	25.72	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	26.68	ACUITE BBB Stable (Reaffirmed)
06 Oct 2022	Term Loan	Long Term	39.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	8.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	12.00	ACUITE BBB Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	3.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Covid Emergency Line.	Long Term	12.60	ACUITE BBB Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	25.40	ACUITE BBB Stable (Assigned)
02 Dec 2021	Proposed Long Term Bank Facility	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	40.00	ACUITE BBB- Stable (Assigned)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	15 Dec 2026	Simple	12.60	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.72	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2030	Simple	26.68	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2031	Simple	40.00	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2031	Simple	5.00	ACUITE BBB Stable Reaffirmed

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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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