

## Press Release

**Tirupati Sugars Limited**

**February 03, 2022**



### Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Loan Ratings</b>	211.27	ACUITE BBB-   Stable   Assigned	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	211.27	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### Rating Rationale

Acuité has assigned a long-term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) to the Rs 211.27 Cr bank facilities of Tirupati Sugars Limited (TSL). The outlook is '**Stable**'.

The ratings reflect comfortable business profile of the company supported by its long operational track record and semi integrated operation. The ratings also factor in company's average financial risk profile marked by its modest networth and moderate capital structure. These rating strengths are partially offset by the company's working capital intensive nature of operations and regulatory risk.

### About the Company

Incorporated in 1979, TSL is engaged in manufacturing of sugar with a crushing capacity of 8000 tonnes of sugarcane per day. The sugar mill is located in West Champaran District of Bihar. The company was acquired by the current promoter i.e. Mr. Deepak Yadav in September 2008. The company has a 18 MW co-generation power plant.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

##### Long operational track record

The company has a long operational track record as it is operational since 1936. Currently the company is managed by Mr Deepak Yadav who has almost two decades of experience in the sugar Industry through other group concern. TSL has a semi-integrated operation as reflected from cane crushing capacity of 8000 tonnes per day and cogeneration capacity of 18MW. Around 12 MW of power is used for captive consumption and remaining 6 MW of power is sold to local discoms. The company has 6 MW of Power Purchase Agreement with North Bihar Power Distribution Company Ltd and South Bihar Power Distribution Company Ltd for 13 years.

The company has moderate scale of operation as revenue stood at Rs 390.51 Cr in FY21 as against 439.35 Cr in FY20. The turnover decline is due to decrease in cane crushed and gross

recovery on account of low availability of sugarcane because of climatic condition. The scale of operation is expected to remain at similar level in FY22 as company has posted revenue of Rs 250 Cr till December 2021.

### **Average financial risk profile**

The financial risk profile of the company is marked by moderate net worth, high gearing and healthy debt protection metrics. The net worth of the company stood at Rs. 77.93 Cr in FY2021 as compared to Rs. 64.31 Cr in FY2020. The gearing of the company stood at 2.46 times as on March 31, 2021 as compared to 2.50 times as on March 31, 2020. The company has high reliance on fund based limit because of high working capital requirement. TOL/TNW stood at 3.69 times in FY21 as against 5.45 times in FY20. Interest coverage ratio (ICR) stood comfortable at 2.49 times in FY2021 as against 3.07 times in FY 2020. The debt service coverage ratio (DSCR) also stood comfortable at 2.24 times in FY2021 as against 3.03 times in FY2020. The net cash accruals against total debt (NCA/TD) stood at 0.13 times in FY2021 as compared to 0.27 times in previous year. Acuité believes the financial risk profile of the company will improve over the medium term backed by improving trend in accruals and the absence of any large debt-funded capex plan over the medium term.

### **Healthy profitability margin**

Though the company had witnessed a decline in profitability margin during FY21 as reflected from its EBITDA margin which stood at 12.09 percent in FY21 as against 13.68 percent in FY20 on account of decline in sale of byproducts and power. The byproducts have relatively higher profit margin as compared to sugar. The profit margin will improve in FY22 as the company has posted EBITDA margin of 12.60 percent in 9MFY22 (prov). Acuite believes profitability margin will remain at similar level over the medium term.

### **Weaknesses**

#### **Working capital intensive operations.**

The company has high working capital intensity as evident from its high gross current asset (GCA) days of 199 days in FY21 as 226 days in the previous year. Reason for high GCA days is high inventory days which stood at 215 days in FY21 as against 239 days in FY20. This is because of seasonal availability of sugarcane. The debtor days stood comfortable at 1 day in FY21 as against 6 days in FY20. Acuité believes that the operations of the company will continue to be working capital intensive because of high inventory level.

### **Regulatory Risks**

Sugarcane cultivation is water-intensive. Thus in the event of poor rainfall and droughts, the production, yields and recovery from sugarcane are impacted. In addition, sugar is an essential commodity and there is high level of government intervention. Consequently, the operations of sugar millers and thus sugar production is affected.

### **Rating Sensitivities**

- Sustained improvement in financial risk profile
- Sustenance in profitability metrics

### **Material covenants**

None

### **Liquidity profile: Adequate**

The company has adequate liquidity profile as reflected from comfortable accrual stood at Rs 25.48 Cr in FY21 against current maturity of Rs 7.70 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 36-40 Cr as against current maturity of around Rs.9 Cr from FY22-FY24. The utilization of fund based limit stood at 88 percent during last 12 months ended December 2021. In addition, company is likely to receive Rs 47.88 Cr from sale of investment in Q4FY22. Acuité believes the company will maintain adequate liquidity position over the medium term on account of steady accruals.

## Outlook: Stable

Acuité believes the outlook on company will remain 'Stable' over the medium term backed by its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company is able to improve its scale of operations significantly while sustaining their financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile or financial risk profile.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	390.51	439.35
PAT	Rs. Cr.	13.37	8.15
PAT Margin	(%)	3.42	1.85
Total Debt/Tangible Net Worth	Times	2.46	2.50
PBDIT/Interest	Times	2.49	3.07

## 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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History:

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	132.00	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	19-09-2015	13.75	31-03-2022	1.38	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	30-01-2021	8.35	30-01-2026	30.00	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	25-11-2021	9.25	30-11-2026	18.36	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	07-05-2022	8.25	30-03-2022	4.53	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

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