

## Press Release

### Tirupati Sugars Limited

March 20, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	211.27	ACUITE BBB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	311.27	-	-

### Rating Rationale

Acuite has assigned and reaffirmed a long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs 311.27 Cr bank facilities of Tirupati Sugars Limited (TSL). The outlook is '**Stable**'.

### Rating Rationale

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

Acuite 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 324.17 Cr

in FY22 as against 390.51 Cr in FY21. The turnover decline is due to on account of restrictions imposed by the Central Government in sugar release as per the quota given to sugar companies during last quarter of FY2022. In addition to this, there was severe flood in Bihar which had damaged the crops during FY 2020. Since the Company had held enough stock during FY 2020, this was liquidated in FY 2021 and thus a marginal dip was seen in revenue in FY 2021. However, the main impact of this flood was seen during FY 2022 as the closing stock held during FY 2021 was lower as compared to earlier years which had reduced the revenue for FY 2022. Further, the export subsidies were not provided during FY 2022 to any sugar companies due to better price realisations in the market. The scale of operation is expected to improve in FY23 as company has posted revenue of Rs 275 Cr till December 2022.

### **Average financial risk profile**

The financial risk profile of the company is marked by healthy net worth, high gearing and healthy debt protection metrics. The net worth of the company stood at Rs. 104.13 Cr in FY2022 as compared to Rs. 77.93 Cr in FY2021. The gearing of the company stood at 2.34 times as on March 31, 2022 as compared to 2.46 times as on March 31, 2021. The company has undertaken a capex for a total project cost of Rs 29.79 crore, funded by term loan of 20 crore and balance from internal accruals. The capex is directed towards modernization of plant & machinery of the existing sugar mill. The Company has achieved COD for the same during March 2023. TOL/TNW stood at 2.62 times in FY22 as against 3.69 times in FY21. Interest coverage ratio (ICR) stood comfortable at 3.57 times in FY2022 as against 2.56 times in FY 2021. The debt service coverage ratio (DSCR) also stood comfortable at 2.23 times in FY2022 as against 2.30 times in FY2021. The net cash accruals against total debt (NCA/TD) stood at 0.16 times in FY2022 as compared to 0.14 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**

The company has comfortable profit margin as reflected from its EBITDA margin of 13.54 percent in FY22 as against 12.09 percent in FY21 on account of higher realisation on its sugar and molasses vertical. The byproducts have relatively higher profit margin as compared to sugar. The profit margin will improve in FY23 as the company has posted EBITDA margin of 12.62 percent in 9MFY23 (prov). Acuité 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 277 days in FY22 as 198 days in the previous year. Reason for high GCA days is high inventory days which stood at 307 days in FY22 as against 215 days in FY21. This is because of seasonal availability of sugarcane. The debtor days stood comfortable at 1 day in FY22. 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 Position**

## Adequate

The company has adequate liquidity profile as reflected from comfortable accrual stood at Rs 39.41 Cr in FY22 against current maturity of Rs 8.54 Cr. The utilization of fund based limit stood at 66 percent during last 12 months ended January 2023. In addition, The company had liquidated current investments by earning a profit of Rs 20.41 Cr during FY 2022. 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

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	324.17	390.51
PAT	Rs. Cr.	26.07	13.37
PAT Margin	(%)	8.04	3.42
Total Debt/Tangible Net Worth	Times	2.34	2.46
PBDIT/Interest	Times	3.57	2.56

## 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>
- 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, Acuité 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Feb 2022	Term Loan	Long Term	4.53	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	30.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	1.38	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	132.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	18.36	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
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	132.00	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	93.00	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	1.03	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	14.03	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	21.88	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	18.36	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.97	ACUITE BBB-   Stable   Assigned

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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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