



Press Release
Tirupati Sugars Limited
October 28, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	311.27	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	328.27	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to ‘**ACUITE BBB**’ (read as **ACUITE triple Bf**) from ‘**ACUITE BB+**’ (read as **ACUITE double B plus**) to the Rs 311.27 Cr. bank facilities of Tirupati Sugars Limited (TSL). The outlook is ‘**Stable**’.

Acuite has assigned the long-term rating to ‘**ACUITE BBB**’ (read as **ACUITE triple Bt**) to the Rs 17.00 Cr. bank facilities of Tirupati Sugars Limited (TSL). The outlook is ‘**Stable**’.

Rationale for Rating

The rating upgrade reflects extensive experience of promoters in the sugar industry, long track record of integrated operations, healthy relationship with sugarcane farmers and diversified customer base. The rating also gets comfort from improving scale of operations, moderate financial risk profile and adequate liquidity profile of the company. However, the ratings are constrained on account of working capital intensive nature of industry, industry cyclicity, agro-climatic risks and intense competition.

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.

Unsupported Rating

Not Applicable

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

Experienced Management: Long operational track record

The company has along 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. Acuite believes that the Company’s business risk profile will continue to remain supported by long track record of promoters and healthy customer and supplier base over the longer term.

Improvement in scale of operations

The revenue from the operations of the company has improved by ~28%, thereby increase in the topline from Rs. 367.93 Cr. in FY 23 to Rs. 471.58 Cr. In FY 24. The operating margin of the company stood at 13.44% in FY 24 against 12.80% in FY 23. The Net margin of the company stood at 3.72% in FY 24 against 4.99% in FY 23. The

reduction in the PAT margin is because in FY24 mainly due to absence of export quota in FY24 and increase in the finance cost. Acuite believes that company is expected to continue to improve in operations in near to medium term with stable margin.

Moderate Financial Risk Profile

The company's financial risk profile is marked by moderate net worth, gearing and debt protection metrics. The tangible net worth of the company improved to Rs. 139.82 Cr. as on March 31, 2024, from Rs. 122.54 Cr. as on March 31, 2023, due to accretion of profits in reserves. The Gearing of the company improved and stood at 2.34 times as on March 31, 2024, as against 2.39 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) also improved and stood high at 2.45 times as on March 31, 2024, as against 2.78 times as on March 31, 2023. Currently the company is under the capex for increasing the crushing capacity from 8000 TCD to 10000 TCD and it will be operationalised in FY26. The debt protection metrics of the company is marked by ISCR at 2.76 times and DSCR at 1.76 times as on March 31, 2024. The ROCE of the company is 10.68% in FY 24. Acuite believes that going forward the financial risk profile of the company will improve backed by steady accruals. Acuite believes that with ongoing capex the company will be able to maintain the financial risk profile in near term.

Weaknesses

Working capital Operations

The working capital operations of the company is intensive marked by Gross Current Assets (GCA) of 261 days as on 31st March 2024 as compared to 317 days as on 31st March 2023. The GCA days are high on account of inventory days which are at 296 against 356 days. The high inventory days is due to the quota given by the government to sell the sugar, the balance is kept as inventory by the sugar mill. And the company is not allowed to sell more than the quota assigned to them. Hence, the inventory days are always high in sugar industry. The debtor days are 3 days and creditor days are 5 for FY24. Acuite believes that the working capital operations of the company will remain at same level due to nature of the business.

Cyclic industry and agroclimatic risks

Being an agro-commodity, the sugar cane crop is dependent on climatic conditions and is vulnerable to pests and diseases that may not only impact the yield per hectare but also the recovery rate. These factors can have a significant impact on the company's profitability. In addition, the cyclicity in sugar production results in volatility in sugar prices. However, the sharp contraction in the sugar prices is curtailed after the introduction of MSP by the Central Government in June 2018. Over the long term, higher ethanol production with increased diversion towards B-heavy molasses and direct sugar juice is expected to help curtail the excess supply of sugar, resulting in lower volatility in sugar prices and in turn, cash flows from the sugar business. Further, the sugar industry is highly competitive and fragmented marked by presence of many organised and unorganised players in this industry, thus putting pressure on the profitability margins of the company.

Rating Sensitivities

- Movement in revenue and profitability
- Movement in capital structure
- Movement in working capital cycle

Liquidity Position

Adequate

The company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations and low current ratio. The company generated the net cash accruals of Rs. 34.20 Cr. for FY 23-24 as against the debt repayment obligations of Rs. 9.53 Cr. for the same period. The current ratio of the company stood at 1.08 times as on 31 March 2024. The cash and bank balances of the company stood at Rs. 0.38 crore. The average utilization of fund-based limits for the last 6 months ending June 2024 is 77.59%. Acuite believes that the company is expected to improve in the liquidity profile as the company is expecting to generate steady cash accruals in the next medium term indicating availability of funds for any future endeavours.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	471.58	367.93
PAT	Rs. Cr.	17.52	18.35
PAT Margin	(%)	3.72	4.99
Total Debt/Tangible Net Worth	Times	2.34	2.39
PBDIT/Interest	Times	2.76	2.95

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
10 Jun 2024	Cash Credit	Long Term	25.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	21.88	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	18.36	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	14.03	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Proposed Long Term Loan	Long Term	1.03	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Term Loan	Long Term	5.97	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Cash Credit	Long Term	132.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Cash Credit	Long Term	93.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
20 Mar 2023	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	21.88	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	18.36	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	1.03	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	14.03	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.97	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	132.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	93.00	ACUITE BBB- Stable (Assigned)
03 Feb 2022	Term Loan	Long Term	4.53	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	18.36	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)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	283.00	Simple	ACUITE BBB Stable Upgraded (from ACUITE BB+)
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.00	Simple	ACUITE BBB Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Dec 2027	4.02	Simple	ACUITE BBB Stable Upgraded (from ACUITE BB+)
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Nov 2027	13.55	Simple	ACUITE BBB Stable Upgraded (from ACUITE BB+)
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jan 2026	10.70	Simple	ACUITE BBB Stable Upgraded (from ACUITE BB+)

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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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