



Press Release
TELANGANA STATE POWER GENERATION CORPORATION LIMITED
July 25, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BB+**' (read as **ACUITE double B Plus**) on the Rs. 50.00 crore bank facilities of Telangana State Trade Promotion Corporation Limited (TSTPCL). The outlook is '**Stable**.'

Rationale for Rating

The rating takes into account, significant improvement in the revenue of the company, albeit moderation in profitability margins. TSTPCL generated a revenue of Rs. 52.04 crore in FY2023 (Prov.) as against Rs. 23.11 crore in FY2022 (Prov.) The EBITDA margin stood at 6.63 percent in FY2023 (Prov.) against 17.56 percent in FY2022 (Prov.) The deterioration in the profitability margins is mainly on account of significant increase in the raw material prices. The working capital operations, though improved are highly intensive, marked by high GCA days of 791 on March 31, 2023 (Prov.) The financial risk profile of the company is healthy with moderate networth, nil gearing and comfortable debt protection indicators.

The rating also factors in the strong parentage of the Government of Telangana and support received in the form of grants, subsidies, etc and extensive experience of the management.

About the Company

TSTPCL is a Government of Telangana enterprise with 100 % shareholding. The Corporation was initially incorporated as AP State Export – Import Corporation Limited in 1970 and the name got changed to AP State Trading Corporation Limited (APSTCL) in 1972. APSTC was started with the primary objective to promote exports. During the year 2006-07 the Corporation has undergone organizational reforms and restructuring. In the process of restructuring, the corporation name was renamed as AP Trade Promotion Corporation Limited (APTPCL). The consequent to the bifurcation of states in June, 2014, the APTPCL was bifurcated into two units – APTPCL (AP Unit) and APTPCL (Telangana Unit). In pursuance of the Government directions, "Telangana State Trade Promotion Corporation Limited" (TSTPCL) was incorporated in September, 2014.

Further Government of Telangana provides support to TSTPCL in various financial and operational aspects. Though TSTPCL is into diversified activities (Trade promotion, trade promotion infrastructure facilities, sale of note books and plain paper) the revenue generation is almost 100 percent from sale of "Golkonda" brand note books and Plain Copier Paper to Welfare Departments of the Government of Telangana. TSTPCL does not have its own manufacturing unit and the notebooks are manufactured on a job work basis.

Unsupported Rating

Not Applicable

Analytical Approach

To arrive at the rating, Acuite has considered the standalone business and financial risk profiles of TSTPCL and notched up the rating by support of parent - Telangana State Government.

Key Rating Drivers

Strengths

Strong parentage and experienced management

TSTPCL is a Government of Telangana enterprise with 100 percent stake. The Corporation was initially incorporated as AP State Export – Import Corporation Limited in 1970 and the name got changed to AP State Trading Corporation Limited (APSTCL) in 1972. APSTC was started with the primary objective to promote exports. During the year 2006-07 the Corporation has undergone organizational reforms and restructuring. In the process of restructuring, the corporation name was renamed as AP Trade Promotion Corporation Limited (APTPCL). The consequent to the bifurcation of states in June, 2014, the APTPCL was bifurcated into two units – APTPCL (AP Unit) and APTPCL (Telangana Unit). In pursuance of the Government directions, “Telangana State Trade Promotion Corporation Limited” was incorporated in September, 2014.

The Government of Telangana provides support to TSTPCL in various financial and traditional aspects. Though TSTPCL is into diversified activities (Trade promotion, trade promotion infrastructure facilities, sale of note books and plain paper) the revenue generation is almost 100 percent from sale of “Golkonda” brand note books and Plain Copier Paper to Welfare Departments of the Government of Telangana and to the central government departments as well. The management includes civil officers appointed by the Government of Telangana, who with their extensive experience will help TSTCPL to augment their business further.

Acuite believes that the Government of Telangana will extend support to TSTPCL as and when required.

Healthy Financial Risk Profile

The financial risk profile of TSTPCL is healthy marked by moderate net worth, nil gearing and comfortable debt protection metrics. The net worth stood at Rs. 80.04 crores on March 31, 2023 (Prov.) as against Rs. 78.22 crore on March 31, 2022 (Prov.). The company had nil debt as on March 31, 2023 (Prov.). The debt protection indicators stood comfortable with Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) at 13.26 times on March 31, 2023 (Prov.) as against 45.31 times on March 31, 2022 (Prov.).

Acuite believes that the financial risk profile of TSTPCL will moderate in the near to medium term as TSTPCL has availed working capital limits to facilitate its working capital requirements.

Weaknesses

Working Capital Intensive Operations

The working capital operations of TSTPCL are highly intensive, marked by GCA days in the range of 645 – 1681 days for the last 3 years ending March 31, 2023 (Prov.). The GCA days stood improved but high at 791 days on March 31, 2023 (Prov.) as against 1681 days on March 31, 2022 (Prov.). The GCA days are mainly driven by inventory days and debtors days. The inventory days stood at 292 days on March 31, 2023 (Prov.) as against 256 days on March 31, 2022 (Prov.). The debtor days stood at 254 days on March 31, 2023 (Prov.) as against 253 days on March 31, 2022 (Prov.). Other advances given to government departments constitute a major portion of the current assets, which also contribute to high GCA days. The creditor days stood at 190 days on March 31, 2023 (Prov.) as against 399 days on March 31, 2022 (Prov.).

Further deterioration in the working capital cycle will be a key rating sensitivity.

Susceptibility of margins to fluctuations in raw material prices

Despite TSTPCL achieving significant revenue growth in the past two years, the profitability margins have declined significantly. TSTPCL generated a revenue of Rs. 118.00 crore in FY2024(E) and Rs. 52.04 crore in FY2023 (Prov.) as against Rs. 23.11 crore in FY2022 (Prov.) The EBITDA margin stood at 6.63 percent in FY2023 (Prov.) as compared to 17.56 percent in FY2022 (Prov.) Significant increase in the raw material prices has affected the profitability margins of TSTPCL. Raw material for TSTPCL includes paper and paper products as the raw materials. The prices for these products keep fluctuating rendering profitability susceptible to volatility in the price of paper.

Rating Sensitivities

- Improvement in profitability margins while maintaining stable revenue growth
- Further deterioration in the working capital cycle
- Any change in support extended by the Government of Telangana

Liquidity Position Adequate

TSTPCL has an adequate liquidity position with steady Net Cash Accruals (NCA) against nil repayment obligations. The company generated NCA worth Rs. 4.19 crore in FY2023 (Prov.) against nil repayment obligations. The company is estimated to generate NCA in the range of Rs. 6 – 8 crore for FY2025-26. The current ratio stood comfortable at 2.58 times on March 31, 2023 (Prov.) The average bank limit utilization stood high at ~94 percent for nine months ended April 2024.

Acuite believes that the liquidity position of TSTPCL will remain adequate in the near to medium term.

Outlook: Stable

Acuite believes the TSTPCL will maintain a 'Stable' outlook over medium term due to its strong parentage and experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected revenue growth along with improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue and profitability growth or further deterioration in the working capital cycle.

Other Factors affecting Rating None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Provisional)
Operating Income	Rs. Cr.	52.04	23.11
PAT	Rs. Cr.	3.57	3.17
PAT Margin	(%)	6.87	13.71
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	13.26	45.31

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

The audit of the company is in process with the Comptroller and Auditor General of India, for the years FY2021-22 and FY2022-23. The company will submit the audited financials to Acuite once the audit is completed.

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>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.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
06 Jul 2023	Proposed Secured Overdraft	Long Term	40.00	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
	Proposed Term Loan	Long Term	10.00	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
14 Apr 2022	Proposed Secured Overdraft	Long Term	40.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
	Proposed Long Term Loan	Long Term	10.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
15 Feb 2021	Proposed Secured Overdraft	Long Term	40.00	ACUITE BBB Stable (Assigned)
	Proposed Long Term Loan	Long Term	10.00	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
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB Stable Upgraded (from ACUITE BB+)
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB Stable Upgraded (from ACUITE BB+)
Canara Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB Stable Upgraded (from ACUITE BB+)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name
1	Telangana State Trade Promotion Corporation Limited
2	Government of Telangana

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Kruti Patel Associate Analyst-Rating Operations Tel: 022-49294065 kruti.patel@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.