



**Press Release**  
**TIKA ULA SUGAR MILLS LIMITED**  
**September 09, 2024**  
**Rating Assigned**

| Product                            | Quantum (Rs. Cr) | Long Term Rating              | Short Term Rating |
|------------------------------------|------------------|-------------------------------|-------------------|
| Bank Loan Ratings                  | 12.50            | ACUITE A-   Stable   Assigned | -                 |
| Total Outstanding Quantum (Rs. Cr) | 12.50            | -                             | -                 |

**Rating Rationale**

ACUITE has assigned its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs 12.50 crore bank facilities of Tikaula Sugar Mills Limited (TSML). The outlook is '**Stable**'.

**Rationale for Rating assigned**

The assigned rating reflects extensive experience of promoters in the sugar industry, long track record of integrated operations, healthy relationship with sugarcane farmers and reputed as well as diversified customer base. The rating also gets comfort from healthy financial risk profile marked by moderate capital structure, debt-coverage indicators and adequate liquidity of the company. However, the ratings are constrained on account of working capital intensive nature of industry, industry cyclical nature, agro-climatic risks and intense competition in the industry.

**About the Company**

Incorporated in 1994, Tikaula Sugar Mills Limited with its registered office in Muzaffarnagar, Uttar Pradesh, is engaged in manufacturing of sugar, molasses, alcohol and co-generation of power. The company maintains a sugar manufacturing unit with an installed capacity of 12,000 TCD per day, along with a distillery (molasses based) with a capacity of 75 kilo litres per day and a cogeneration power plant of 30MW capacity which uses bagasse as fuel. Current directors of the company are Mr. Nirankar Swarup, Mr. Nidhish Prakash, Mr. Sudhish Prakash, Mr. Raghav Swarup, Mr. Amit Swarup, Ms. Veena Agarwal, Mr. Tarun Agrawal, Mr. Suneel Kumar Garg, and Mr. Rampal Tayal.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has taken standalone financial and business risk profile of Tikaula Sugar Mills Limited to arrive at this rating.

**Key Rating Drivers**

## **Strengths**

### **Experienced management**

The company is promoted by Swarup family having rich experience of more three decades in sugar, horticulture, paper, sugarcane cultivation business, etc. The company has developed healthy relations with sugarcane farmers as well as healthy & reputed customer base which includes Hindustan Petroleum Corporation Limited, Indian Oil Corporation Limited, Bharat Petroleum Limited, etc. Acuité believes that the company will be benefitted over the medium term on the back of established presence in the sugar industry for more than three decades. The company has integrated operations with sugar mill with a capacity of 12,000 tonne

crushing per day (TCD), along with the distillery (molasses based) with a capacity of 75 KLPD (Killo Litres per day) and bagasse based co-generation of 30 MW. 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 medium term.

### **Healthy 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. 314.29 Cr. as on March 31, 2024 (Prov.), from Rs. 273.98 Cr. as on March 31, 2023, due to accretion of profits in reserves. The Gearing of the company improved and stood at 1.08 times as on March 31, 2024 (Prov.), as against 1.22 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) also improved and stood high at 1.41 times as on March 31, 2024(Prov.), as against 1.59 times as on March 31, 2023. The debt protection metrics of the company is marked by ISCR at 4.61 times and DSCR at 1.32 times as on March 31, 2024 (Prov.). The ROCE of the company is 11.30% in FY 24. Acuite believes that going forward the financial risk profile of the company will improve backed by steady accruals leading to comfortable capital structure and debt protection metrics.

### **Improvement in profitability & margins**

The revenue from the operations of the company has declined by 3.87%, thereby reducing the topline from Rs. 902.25 Cr. in FY 23 to Rs. 867.37 Cr. In FY 24(Prov.). This has been a result of reduced cane crushing due to flood in command area leading to crop loss. However, the operating margin of the company improved by 101 bps in FY 24. The operating margin of the company stood at 11.90% in FY 24 (Prov.) against 10.89% in FY 23. The Net margin improved by 64 bps, which stood at 4.42% in FY 24 against 3.78% in FY 23. Acuite believes that margins of the company will improve as increase in production of sulphur free sugar (higher margin product) and expected increase in consumption of ethanol in India.

### **Weaknesses**

#### **Intensive Working Capital Operations**

The working capital operations of the company is intensive marked by Gross Current Assets (GCA) of 193 days as on 31st March 2024 (Prov.) as compared to 175 days as on 31st March 2023. The GCA days are high on the account of inventory days which were at 202 days as on March 31, 2024 (Prov.) against 190 days in March 31, 2023. The high inventory days is due to less crushing days in the financial year and bulking up the inventory for the entire year towards the end. 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 & creditor days days are 5 & 16 days for FY 23-24 respectively. Acuite believes that the working capital operations of the company will remain at same level.

#### **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**

- Improvement in operating income and profitability
- Improvement in working capital operations

## **Liquidity Position**

### **Adequate**

The company has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio. The company generated the net cash accruals of Rs. 69.24 Cr. for FY 23-24 as against the debt repayment obligations of Rs. 46.73 Cr. for the same period. The current ratio of the company stood at 1.64 times as on 31 March 2024 (Prov.). The cash and bank balances of the company stood at Rs. 1.04 crore. The average utilization of fund-based limits for the last 12 months ending June 2024 is 21.18%. However, it is high in peak season. The liquidity of the company is expected to improve 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**

Acuite believes that company will continue to benefit over the medium term due to its established market position, established relations with its customers and suppliers and diversified product portfolio. The outlook may be revised to 'Positive', if the company demonstrates substantial growth in its revenues and operating margins from the current levels while improving its working capital operation. Conversely, the outlook may be revised to 'Negative', if company generates lower-than-anticipated Operating income, profitability margins or further stretch in its working capital cycle there by impacting its financial risk profile, particularly its liquidity.

### **Other Factors affecting Rating**

None

## Key Financials

| Particulars                   | Unit    | FY 24 (Provisional) | FY 23 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income              | Rs. Cr. | 867.37              | 902.25         |
| PAT                           | Rs. Cr. | 38.31               | 34.09          |
| PAT Margin                    | (%)     | 4.42                | 3.78           |
| Total Debt/Tangible Net Worth | Times   | 1.08                | 1.22           |
| PBDIT/Interest                | Times   | 4.61                | 4.50           |

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

TSML tagged as downgraded and Issuer non cooperating from Brickwork as BWR BB+/Stable vide its press release dated 18th January 2024.

### 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](http://www.acuite.in).

### Rating History :

Not Applicable

## 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 avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple           | 12.50             | ACUITE<br>A-  <br>Stable  <br>Assigned |

## Contacts

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|--|---|
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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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