



**Press Release**  
**TIKAULA SUGAR MILLS LIMITED**  
**November 07, 2024**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	509.37	ACUITE A-   Stable   Assigned	-
Bank Loan Ratings	12.50	ACUITE A-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	521.87	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

ACUITE has reaffirmed 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'.

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**Rationale for Rating**

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 cyclicity, 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 (Prov.). Acuité 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 (Prov.) 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 are 5 & 16 days for FY 24 (Prov.) respectively. Acuité 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 24 (Prov.) 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

## 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)

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

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Sep 2024	Cash Credit	Long Term	12.50	ACUITE A-   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.	12.50	Simple	ACUITE A-   Stable   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	119.50	Simple	ACUITE A-   Stable   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A-   Stable   Assigned
Muzaffarnagar District Cooperative Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	55.00	Simple	ACUITE A-   Stable   Assigned
Zila Sahkari Bank Limited, Meerut	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	55.00	Simple	ACUITE A-   Stable   Assigned
Zila Sahkari Bank Limited, Bijnor	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	38.00	Simple	ACUITE A-   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2027	14.44	Simple	ACUITE A-   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.50	Simple	ACUITE A-   Stable   Assigned
Muzaffarnagar District Cooperative Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2027	18.76	Simple	ACUITE A-   Stable   Assigned
Uttar Pradesh Co-operative bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	38.25	Simple	ACUITE A-   Stable   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2028	47.92	Simple	ACUITE A-   Stable   Assigned
State Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	60.00	Simple	ACUITE A-   Stable   Assigned

## Contacts

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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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